CITY OF DESOTO, TEXAS

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2025

Prepared by the

FINANCIAL SERVICES DEPARTMENT

CITY MANAGER
Majed Al-Ghafry

ASSISTANT DIRECTOR OF FINANCE
Lakeita Sutton

CITY COUNCIL
Rachel Proctor, Mayor

Pierette Parker, Council Member
Ken Waters, Council Member
André Byrd, Council Member
Deborah North, Council Member
Crystal Chism, Mayor Pro Tem
Letitia Hughes, Council Member

ANNUAL COMPREHENSIVE FINANCIAL REPORT

OF THE

CITY OF DESOTO, TEXAS

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2025

Prepared by:
Financial Services Department

CITY OF DESOTO, TEXAS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

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INTRODUCTORY SECTION

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March 23, 2026

To the Citizens of the
City of DeSoto, Texas

In accordance with State Law, municipalities are required to publish a complete set of audited financial statements with an opinion. Accordingly, these documents must be submitted within six (6) months after the end of any given fiscal year (FY). This detailed report fulfills that requirement for the FY ended Tuesday, September 30, 2025.

Management assumes full responsibility for the completeness and reliability of information contained within this report, which is based upon a comprehensive framework of internal controls that were established for this purpose. The costs associated with implementing these internal controls should not exceed its anticipated benefits. In particular, the overall objective is to provide a reader with reasonable and not absolute assurance that all financial statements are free of material misstatements.

At the conclusion of the FY that ended on Saturday, September 30, 2025, Forvis Mazars, LLP, Certified Public Accountants issued the City of DeSoto unmodified ("clean") opinions. This independent auditor's report can be found at the front of the financial section of this document.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report that includes a narrative introduction, overview, and an analysis of basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with the entire document to ensure complete understanding.

Profile

Located in the Best Southwest region of Dallas County, the City of DeSoto is in close proximity to downtown Dallas and has a total area that covers 21.6 square miles. In 2025, it was estimated that the City of DeSoto had 57,102 residents. This growing community has access to three (3) major thoroughfares, 1-35 (eastern border), Highway 67 (western border) and 1-20 (northern border).

As a political subdivision and municipal corporation of the State, the City of DeSoto adopted a home rule charter that serves as its governing document regarding local issues. This enabled the residents to establish a Council/Manager form of government. The policy-making body is comprised of six (6) Council members and a Mayor. These elected officials enact local legislation and adopt annual budgets. They are also responsible for appointing the City Secretary, City Attorney, City Manager and Judge.

The City Manager serves as the Chief Administrative Officer and is responsible for managing all municipal operations. Major services provided under general government and enterprise functions are: public safety (police and fire), street maintenance, water and sewer service, parks and recreation, library, and general administrative services.

Accounting System and Budgetary Control

The financial accounting system serves as a means to ensure that there are adequate internal controls. Internal controls provide a reasonable level of assurance with regard to safeguarding assets against loss from unauthorized use or disposition, as well as the reliability of financial records for preparing statements and asset accountability.

The accounting records for general governmental operations are maintained on a modified accrual basis, with revenues being recorded when available and measurable. Once services or goods are received and the liabilities have been incurred, expenditures are then recorded. Accounting records for enterprise activities are maintained on an accrual basis.

Government-wide financial statements are prepared using the accrual basis of accounting, as well as the economic resources measurement focus. In particular, these statements do not provide information by fund. It is separated by activities associated with governmental, business-type, discretely presented component units on statements for net assets and activities.

Budgetary Controls - During the preliminary budget process, proposed revenues and expenditures for each department are thoroughly analyzed by two departments: Financial Services and Administration. At the conclusion of these departmental reviews, management provides City Council with a copy of the final documents. In accordance with the City Charter, the City Council must adopt a budget ten (10) days in advance of a new fiscal year.

The overall objective for having these budgetary controls is to ensure compliance with legal provisions. Activities of the general fund (GF), water and sewer fund, and all other funds are included in the annual budget. The level of budgetary controls (the level that expenditures cannot legally exceed its appropriated amounts) is established by departments within its individual fund. The City Manager is authorized to transfer budgeted amounts between line items and departments within any fund; however, any revisions that alter total expenditures of any fund must be approved by the City Council.

Relevant Financial Policies

By policy, the annually adopted FY budget must be balanced, with appropriate fund reserves. At the close of FY 2025, the governmental fund balance of $54,129,354 (approximately 90% of all governmental expenditures) exceeded the minimum reserve requirement of 25%.

Every FY, the City utilizes its long-range planning policy to project future revenues and expenditures. This process enables the City to identify potential deficits and opportunities for financial growth over a two (2) year period. For illustration purposes, the FY2026 planning and FY2025 budgets were prepared in collaboration with one another.

The investment policy was established to minimize credit and market risks. It is updated and reauthorized on an annual basis by the City Council in compliance with the Texas Public Funds Investment Act.

The investment policy was established with objectives consistent with state and local laws. Investments follow the hierarchy to preserve capital, safety of principal and security of invested funds; maintenance of sufficient liquidity to meet operating goals; diversification of investments to avoid unreasonable or avoidable risks; insurance of public trust; and optimization of return on the portfolio.

Cash management is the process of managing currency in order to ensure maximum availability and optimum yield on short-term investments of idle funds. An aggressive cash management program that is consistent with this Investment Policy will provide investment interest as revenue for all operating and capital funds. The portfolio is designed and managed in a manner responsive to the public trust. Earnings from investments are used in a manner that best serves the City.

Local Economy

Major businesses within the municipal limits of DeSoto include distribution, retail, healthcare, grocery, manufacturing, transportation and e-commerce. DeSoto's large businesses(> 100 employees) employ over 5,000 people. Civilian employment was estimated at approximately 33,977. The unemployment rate as of September 2025 was 5.3%, slightly above the overall 3.5% rate for the entire Metroplex.

DeSoto benefits from being located twelve (12) miles south of Dallas and is accessible from several major transportation thoroughfares. This prime location serves as a gateway to job opportunities in Dallas, Fort Worth and the Mid-Cities. Its estimated population of 57,102 has grown by a notable 11% since 2016. During those same years, the overall taxable assessed valuation increased by 147%.

Long-term Financial Planning

Historically, the City has maintained fiscally responsible general fund balances. As a proactive measure, the budget is continuously analyzed to ensure that both revenues and expenditures are tracking as expected, with adjustments made as necessary. Thus, required fund reserves are not used for ongoing operational expenses.

Because of the City's proximity to Interstate 35 East and Interstate 20, businesses are recognizing DeSoto as one of the region's hot spots for growth. The City is committed to supporting new and expanding companies by creatively customizing incentive packages that are based upon individual business needs.

The City also has more than 400 acres of land that are available for industrial and commercial development. These parcels are located within the DeSoto Eagle Industrial and Business Park. The Hillwood Crossroads Trade Center, which is located in the Industrial Park, offers 1.8 million square feet of build-to-suit distribution or light industrial space for lease at Centre Park Blvd and Interstate 35 East.

Major Initiatives

The 2024-2025 fiscal year includes initiatives such as:

- Maintain the current level of public services provided by all municipal departments
- Increase the value of commercial, as well as residential assets through new development and redevelopment
- Develop a regional economic development vehicle to attract major employers to the Best Southwest region
- Continue to pursue Family style restaurants and new retail
- Continue to review and update the Master Comprehensive Plan
- Develop Hampton Road Corridor

Awards and Acknowledgments

Awards - The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in financial reporting for the FY that ended September 30, 2024. This is a prestigious national award that recognizes conformance with the highest standards for preparing State and Local government financial reports.

In order to be awarded a Certificate of Achievement for Excellence, a governmental entity must publish an easily readable and efficiently organized annual comprehensive financial report (ACFR) that conforms to program standards. An ACFR must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

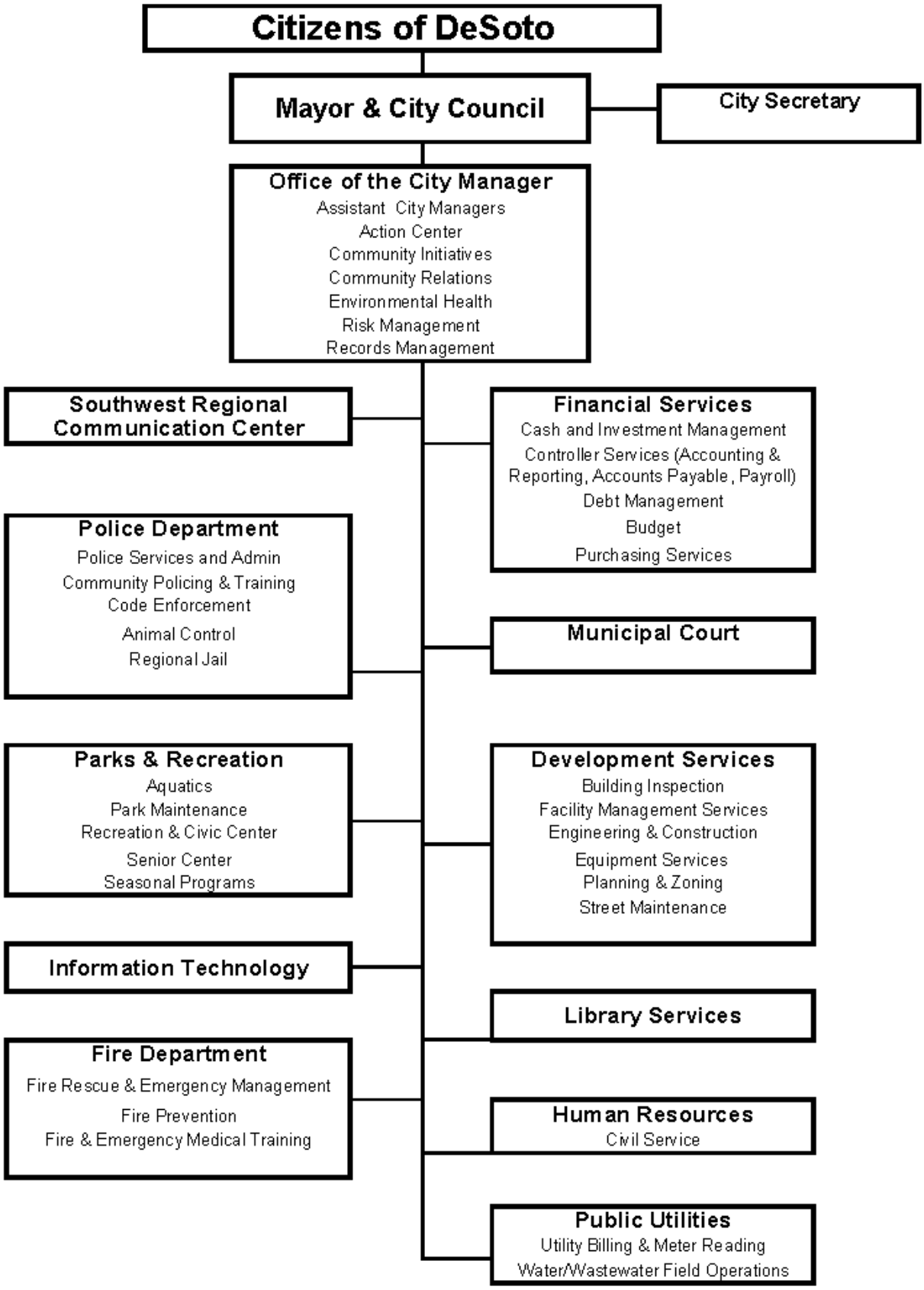
A Certificate of Achievement is only valid for one year. Over the past 28 plus FYs, DeSoto has received this prestigious award each year through fiscal year 2024. We believe this report also conforms to program requirements for the Certificate of Achievement and will submit it to GFOA to determine its eligibility for the Certificate of Achievement.

This report could not have been published without the tireless dedication and diligence of staff. Most importantly, our staff would like to commend both the Mayor and City Council for their unwavering contributions throughout the entire financial reporting process.

Respectfully,

Majed Al-Ghafry
City Manager

Lakeita Sutton
Interim Managing Director of Financial Services


Citizens of DeSoto
Mayor & City Council
City Secretary
Office of the City Manager
Assistant City Managers
Action Center
Community Initiatives
Community Relations
Environmental Health
Risk Management
Records Management
Southwest Regional Communication Center
Financial Services
Cash and Investment Management
Controller Services (Accounting & Reporting, Accounts Payable, Payroll)
Debt Management
Budget
Purchasing Services
Police Department
Police Services and Admin
Community Policing & Training
Code Enforcement
Animal Control
Regional Jail
Municipal Court
Parks & Recreation
Aquatics
Park Maintenance
Recreation & Civic Center
Senior Center
Seasonal Programs
Development Services
Building Inspection
Facility Management Services
Engineering & Construction
Equipment Services
Planning & Zoning
Street Maintenance
Information Technology
Library Services
Fire Department
Fire Rescue & Emergency Management
Fire Prevention
Fire & Emergency Medical Training
Human Resources
Civil Service
Public Utilities
Utility Billing & Meter Reading
Water/Wastewater Field Operations

City Officials
City Council

Rachel Proctor
Mayor
Place One

Pierette Parker
Place Two

Andre' Byrd
Place Four

Crystal Chism
Place Six

Nicole Raphiel
Place Three

Dinah Marks
Place Five

Letitia Hughes
Mayor Pro Tem
Place Seven

Joe Gorfida
City Attorney

City Management

Majed Al-Ghafry
City Manager

Vacant
Deputy City Manager

Tamara Bell
Managing Director
Southwest Regional Communication Center (SWRCC)

Joseph Costa
Police Chief
Police Department

Tom Figert
Managing Director
Information Technology

Charles Brewer
Managing Director
Development Services

Scott Kurth
Judge
DeSoto Municipal

Alicia Thomas
City Secretary

Tracy L. Cormier
Managing Director of Financial Services

Brandon Lacy
Managing Director
Public Utilities

Bryan Southard
Fire Chief
Fire and EMS Department

Chris Glover
Managing Director
Parks & Recreation

Lakeita Sutton
Assistant Director
Financial Services

Heather McEntee
Managing Director
Library Services

Denae Greenly
Managing Director
Human Resources

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of DeSoto
Texas

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2024

Christopher P. Morrill

Executive Director/CEO

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FINANCIAL SECTION

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Forvis Mazars, LLP
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Dallas, TX 75254
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forvismazars.us

Independent Auditor's Report

The Honorable Mayor and
Members of the City Council
City of DeSoto, Texas

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of DeSoto, Texas (City), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional

omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule, and pension and other postemployment benefit information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Forvis Mazars, LLP

Dallas, Texas
March 23, 2026

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MANAGEMENT'S
DISCUSSION AND ANALYSIS

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Management's Discussion And Analysis

As management of the City of DeSoto (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2025. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in our letter of transmittal, which can be found on pages i-iv of this report, and the financial statements which follow this section.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the 2025 fiscal year by $280,896,750 (net position). Of this amount, $117,045,346 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.

- As of the close of fiscal year 2025, the City's governmental funds reported combined ending fund balances of $149,013,419, an increase of $11,085,204 from the prior year. Approximately 36% of this total amount is unassigned fund balance. Fund balances increased primarily due to the issuance of debt in the Street Improvement and Park Improvement Fund.

- At the end of the current fiscal year, unassigned fund balance for the General Fund was $54,129,354 or 89% of total General Fund expenditures.

- The City's total capital assets net of accumulated depreciation increased by $37,752,137. The increase is due to the continued purchases and construction of capital assets, net of depreciation.

- The City's governmental and business-type activities long-term debt increased $35,977,768 to a total outstanding amount of $183,440,514.

Overview Of The Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between the four reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information in order to present how the City's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses reported in this statement for some items will only result in changes in cash flows for future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business- type activities). The governmental activities of the City include general government, public safety, development services, financial services, municipal court parks and recreation, library services, human resources, and information technology. The business-type activities of the City include public utilities, drainage systems, and sanitation operations.

The government-wide financial statements include not only the City itself (known as the primary government), but also include the DeSoto Health Facilities Development Corporation, the DeSoto Housing Finance Corporation and the DeSoto Industrial Development Authority, Inc., which are legally separate but financially accountable to the City. A blended presentation has been used to report the financial information of these component units. That means that the component unit balances and transactions are reported in a manner similar to the balances and transactions of the primary government. Additionally, the government-wide financial statements include the DeSoto Development Corporation as part of its reporting entity as discretely presented component unit. Discrete presentation entails reporting component unit financial data in a column separate from the financial data of the primary government. The DeSoto Development Corporation is a legally separate entity.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds. The fund financial statements for governmental funds and proprietary funds can be found in the financial section of this report.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 22 governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, Street Improvement Fund, Park Improvement Fund, and ARPA Grant Fund, which are considered to be major funds. Data from the other 17 governmental funds are combined into a single aggregate presentation.

The City adopts an annual appropriated budget for its general fund. The Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual is provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its public utility, drainage and sanitation operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for public utility, drainage and sanitation, all of which are considered to be major funds, as well as the golf fund which is considered to be a nonmajor fund.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements immediately follow the basic financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's pension and OPEB liabilities. Required supplementary information immediately follows the notes to the financial statements.

Combining statements and budgetary comparison schedules for non-major governmental funds and component unit fund financial statements follow the section on required supplementary information.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of September 30, 2025, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $280,896,750.

The largest portion of the City's net position (49%) reflects its investment in capital assets (e.g., land, building, equipment, improvements, construction in progress, and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, $117,045,346 may be used to meet the City's ongoing obligations to citizens and creditors.

As of September 30, 2025, the City is able to report positive balances in all three categories of net position, for the government as a whole, as well as for its separate governmental and business-type activities.

City of DeSoto's Net Position
Government-Wide

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Current and other assets	$ 170,426,063	$ 153,741,002	$ 70,670,554	$ 54,897,648	$ 241,096,617	$ 208,638,650
Long-term assets	186,373,585	154,978,232	71,890,853	65,534,069	258,264,438	220,512,301
Total assets	356,799,648	308,719,234	142,561,407	120,431,717	499,361,055	429,150,951
Deferred outflows of resources	5,153,134	8,400,153	752,476	1,100,293	5,905,610	9,500,446
Total outflows of resources	5,153,134	8,400,153	752,476	1,100,293	5,905,610	9,500,446
Current and other liabilities	16,918,790	13,029,217	6,287,725	4,314,216	23,206,515	17,343,433
Long-term liabilities	149,562,668	127,724,710	49,117,327	38,917,610	198,679,995	166,642,320
Total liabilities	166,481,458	140,753,927	55,405,052	43,231,826	221,886,510	183,985,753
Deferred inflows of resources	2,274,117	985,852	209,288	78,473	2,483,405	1,064,325
Total inflows of resources	2,274,117	985,852	209,288	78,473	2,483,405	1,064,325
Net position:						
Net investment in capital assets	97,609,291	104,858,032	39,771,021	54,496,790	137,380,312	159,354,822
Restricted	24,119,046	20,373,644	2,352,046	1,799,061	26,471,092	22,172,705
Unrestricted	71,468,870	50,147,932	45,576,476	21,925,860	117,045,346	72,073,792
Total net position	$ 193,197,207	$ 175,379,608	$ 87,699,543	$ 78,221,711	$ 280,896,750	$ 253,601,319

Governmental activities

Net position increased by $17,817,599 in fiscal year 2025 compared to an increase of $16,821,383 in fiscal year 2024. During the current year, there were increases in property taxes and grant revenues. These property tax revenues have continued to increase as the City, and Dallas County as a whole, experience steady population growth and new development.

Governmental activities expenses increased largely in the area of general government and public safety. The increases to general government and public safety expenses related to a generally larger workforce in those departments and the personnel increases that accompany current pay and performance model.

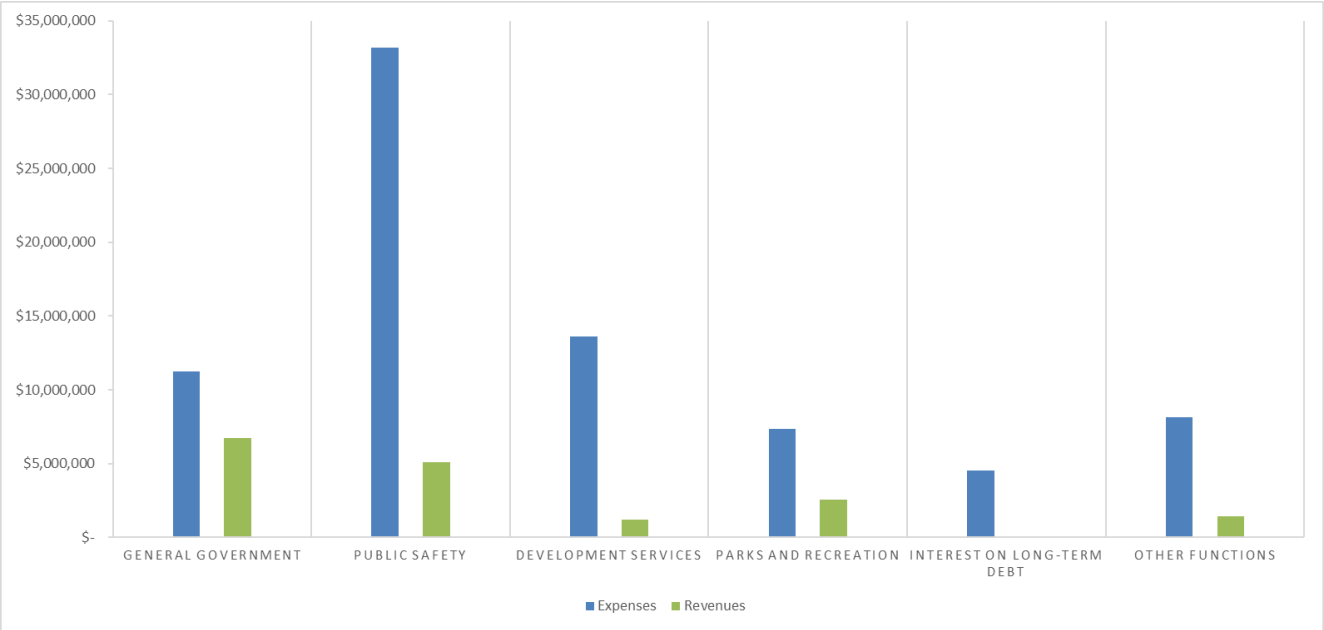
Business-type activities

Net position increased by $9,477,832 in the current year compared to an increase of $3,347,269 in fiscal year 2024. The increase in net position due to the changes in revenue related to charges for services stemming from the population growth. Increases to expenses related primarily to payroll costs as the City works to continue offering competitive wages.

City of DeSoto's Changes in Net Position
Government-Wide

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program revenues:						
Charges for services	$ 11,096,224	$ 7,548,740	$ 41,301,012	$ 35,429,665	$ 52,397,236	$ 42,978,405
Operating grants & contributions	5,404,640	5,314,254	-	-	5,404,640	5,314,254
Capital grants & contributions	587,325	744,953	3,427,399	848,814	4,014,724	1,593,767
General revenues:						
Property taxes	51,451,919	48,642,710	-	-	51,451,919	48,642,710
Other local taxes	16,504,969	16,292,282	-	-	16,504,969	16,292,282
Grants not restricted to specific programs	607,775	2,390,599	-	-	607,775	2,390,599
Investment earnings	6,958,004	5,466,691	2,660,347	1,844,949	9,618,351	7,311,640
Gain on sale of capital assets	25,678	52,290	-	-	25,678	52,290
Miscellaneous	462,004	441,089	1,868,260	729,371	2,330,264	1,170,460
Total revenues	93,098,538	86,893,608	49,257,018	38,852,799	142,355,556	125,746,407
Expenses:						
General government	11,246,902	7,765,152	-	-	11,246,902	7,765,152
Public safety	33,174,592	31,826,615	-	-	33,174,592	31,826,615
Development services	13,595,874	15,225,897	-	-	13,595,874	15,225,897
Financial services	1,839,347	1,706,774	-	-	1,839,347	1,706,774
Municipal court	981,744	990,075	-	-	981,744	990,075
Information technology	2,680,211	2,871,578	-	-	2,680,211	2,871,578
Human resources	1,220,665	1,102,012	-	-	1,220,665	1,102,012
Parks and recreation	7,371,073	7,039,700	-	-	7,371,073	7,039,700
Library services	1,411,425	1,680,185	-	-	1,411,425	1,680,185
Interest on long-term debt	4,522,586	2,569,045	-	-	4,522,586	2,569,045
Public utility	-	-	28,482,065	24,990,511	28,482,065	24,990,511
Storm drainage	-	-	1,319,450	985,578	1,319,450	985,578
Sanitation	-	-	6,738,671	6,824,633	6,738,671	6,824,633
Golf	-	-	475,520	-	475,520	-
Total expenses	78,044,419	72,777,033	37,015,706	32,800,722	115,060,125	105,577,755
Revenues in Excess of Expenses	15,054,119	14,116,575	12,241,312	6,052,077	27,295,431	20,168,652
Transfers	2,763,480	2,704,808	(2,763,480)	(2,704,808)	-	-
Change in net position	17,817,599	16,821,383	9,477,832	3,347,269	27,295,431	20,168,652
Net position - beginning of year	175,379,608	158,558,225	78,221,711	74,874,442	253,601,319	233,432,667
Net position - end of year	$ 193,197,207	$ 175,379,608	$ 87,699,543	$ 78,221,711	$ 280,896,750	$ 253,601,319

The following table provides a summary of the operations of governmental activities for the year ended September 30, 2025. Overall, the City had an increase in net position of $27,295,431. Overall revenues and expenses increased over the prior year.



Financial Analysis Of The Governmental Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

***Governmental funds*.** The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a City's net resources available for spending at the end of the fiscal year.

At the end of the 2025 fiscal year, the City's governmental funds reported combined ending fund balances of $149,013,419, an increase of $11,085,204 from the prior year. Approximately 36% of this total amount is available for spending at the City's discretion. A portion of the remaining fund balance in the amount of $89,536,091 is not available for new spending because it is restricted to pay for 1) street improvements and capital projects 2) debt service 3) public safety grants and 4) economic development projects.

General Fund. The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was $54,129,354, while the total fund balance was $54,701,508. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance to total expenditures. Unassigned fund balance represents 89% of the general fund expenditures.

The final general fund budget for fiscal year 2025 reflected a increase of $2,054,870 in fund balance. The actual change in fund balance was an increase of $5,665,615. Contributing factors was the realization of revenues $119,895 over the budgeted amounts. Key factors affecting fund balance are as follows:

- Total actual General Fund revenues of $62,461,185 increased from FY2024 actuals by $1,493,781 and were greater than budgeted FY2025 by $119,895. This was primarily caused by increases to fines and forfeitures, charges for services, investment earnings, and recreational services.

- The actual expenditures of $60,547,929 were more than the budgeted expenditures by $1,848,377. Fire, human resources, parks and recreation, debt service and capital outlay exceeded the budgeted amount.

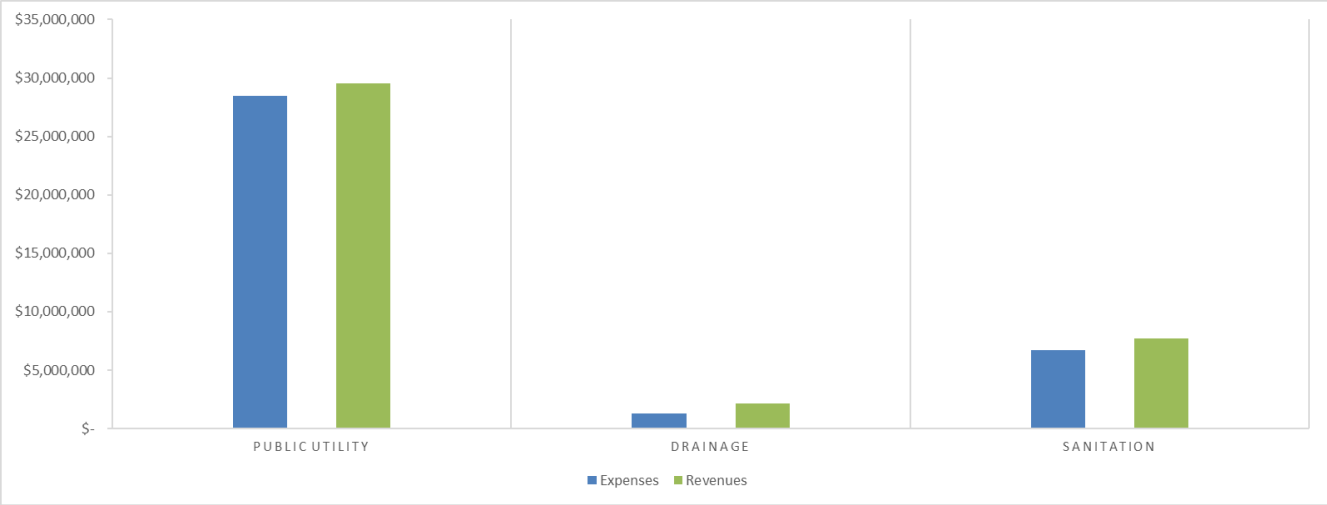
Original budget compared to final budget. During the year, there was no need for any significant amendments to increase the original estimated revenues in the General Fund.

Debt service fund balance increased by $185,011 due to revenues exceeding debt service payments. Fund balances may fluctuate in the future as management continues to evaluate the amount of debt service property taxes needed to fund the City's debt service.

The fund balance of the Street Improvement fund increased by $15,587,894 due to the issuances of bonds for capital projects. Fund balance will decrease in future years as these funds are spent down.

The Park Improvement Fund decreased its fund balance by $9,197,246, primarily due to the issuance of bonds for capital projects offset by capital project expenditures. Fund balance will decrease in future years as these funds are spent down.

The ARPA Grant Fund, ended with $364,790 of fund balances. The fund was used to record the American Rescue Plan Act grant funding received from the Federal government. The proceeds were recorded as unearned revenue and will be recognized in future years as project costs are incurred.



Proprietary Funds. The City's proprietary fund statements provide the same type of information found in the government-wide financial statements but in more detail.

Unrestricted net position of the respective major proprietary funds are Public Utility - $66,033,602, Storm Drainage - $15,769,199, and Sanitation - $3,225,048. The net position for the Public Utility fund increased $4,447,851; Storm Drainage increased $1,263,614 and Sanitation increased $1,094,673. The overall change in net position for business-type activities was an increase of $9,477,832. Public Utility Fund revenues increased with a sewer service base rate and volume charge increase. The largest increase was experienced with sanitation revenue, for which the average monthly collection rate was increased by approximately 7%. Overall Proprietary Funds operating revenues of $41,301,012 reflected an increase of $5,871,347 or approximately 17% compared to the prior year. Proprietary Funds operating expenses of $35,333,655 reflected an increase of $3,354,916 or approximately 10% from prior year. As discussed previously, the increase in expenses is related primarily to salary increases.

Capital Assets And Debt Administration

Capital Assets

At the end of fiscal year 2025, the City had $258.3 million invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, and water and sewer lines. This amount represents a net increase of from the prior fiscal year.

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	$ 11,794,268	$ 9,835,670	$ 3,934,568	$ 1,244,443	$ 15,728,836	$ 11,080,113
Construction in progress	61,234,775	23,904,769	18,571,727	12,568,814	79,806,502	36,473,583
Street / Alley ROW	14,072,949	14,072,949	-	-	14,072,949	14,072,949
Buildings	26,211,505	27,537,902	-	-	26,211,505	27,537,902
Infrastructure	66,406,502	78,511,155	48,335,877	50,806,434	114,742,379	129,317,589
Equipment and furniture	5,381,138	616,287	943,831	914,378	6,324,969	1,530,665
Lease assets	478,782	-	104,850	-	583,632	-
Subscription assets	793,666	499,500	-	-	793,666	499,500
	$ 186,373,585	$ 154,978,232	$ 71,890,853	$ 65,534,069	$ 258,264,438	$ 220,512,301

Major capital asset events during the 2025 fiscal year include the following:

- Construction on bond-funded projects in the governmental activities amounted to $44 million. This included city street repairs and expansions, park playground equipment, and construction of the Aquatic Recreation Center.

- Construction and replacement of water and sewer infrastructure incurred approximately $5.7 million in the business-type activities using bond funds.

Additional information on the City's capital assets can be found in Note 4 to the financial statements.

Debt Administration

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
General obligation bonds	$ 15,300,000	$ 20,245,000	$ 5,345,000	$ 6,355,000	$ 20,645,000	$ 26,600,000
Certificates of obligation	108,850,000	79,814,947	38,705,000	27,650,053	147,555,000	107,465,000
Bond premium	9,984,510	9,256,111	3,825,118	3,448,105	13,809,628	12,704,216
Financed purchase	-	194,030	-	-	-	194,030
Lease liability	498,713	-	109,637	-	608,350	-
Subscription liability	822,536	499,500	-	-	822,536	499,500
Compensated absences	6,099,211	6,082,700	354,532	332,826	6,453,743	6,415,526
	$ 141,554,970	$ 116,092,288	$ 48,339,287	$ 37,785,984	$ 189,894,257	$ 153,878,272

Overall debt increased in the current year primarily related to the City issuing debt.

The City has an AA rating from Fitch and an AA rating from Standard & Poor's. Additional information on the City's long-term debt can be found in Note 5 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The two major financing sources for general government operations: Property Tax and Sales Tax are the major areas of focus. In the coming year, an increase in general government property tax revenue is estimated due to the City's increase in assessed valuation for Tax Year 2025. The City's tax rate was maintained for FY26 and for the fifteenth (15) year in a row with no tax rate increase. The FY2026 budget was adopted with total tax rate of $.684934 per $100 valuation and an Operation & Maintenance tax rate of $0.50241 and Interest and sinking tax rate of $0.182542.

Sales Tax is the second largest revenue source. In FY2025, retail and industry taxable sales were greater than FY2024. Sales tax exceeded previous year revenues by $57,860. The budget estimates for Franchise Fees for FY2025 actuals were more than the prior year but did meet budget expectations. Charges for services increased and were over the current year budgeted revenues by $1,595,331 mostly due to ambulance service charge. Because this category of revenue collections can span a number of fiscal years it will be budgeted conservatively in FY2026. Overall, budgeted revenue in the General Fund for FY2025 increased by approximately $5,970,321 compared to the prior year budgeted revenue which represents the increase in property tax revenue based on an increase in taxable values.

The fiscal year 2026 budget provides funding for all aspects of our service delivery. This spending plan meets the objective of maintaining the current level of services.

Because the City is a service organization, a major portion of the operating budget is allocated to employee compensation and fringe benefits. Maintaining these items at the current market rate requires that new resources be allocated annually. The increases in salary will reflect a 2.0 cost of living increase for employees and also a merit increase for eligible employees.

In addition to salary adjustments, in the past, we have experienced a decrease in the Texas Municipal Retirement System ("TMRS") contribution rates. It is important to note that in fiscal year 2026 we will continue participation in TMRS, and the City's match will remain 2:1. The 2026 TMRS actuarial rate will be 12.73%, which is an increase from 12.43% the previous fiscal year. This allows us to continue in TMRS and meet the UAAL obligation over time. All other personnel related benefit programs remain at the level reflected in the fiscal year 2026 budget.

Requests For Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances. If you have questions about this report or need additional information, contact the Finance Department, Attn: Finance Managing Director, 211 E. Pleasant Run Road, DeSoto, Texas 75115, or call (972) 230-9657, or email lsutton@desototexas.gov.

BASIC
FINANCIAL STATEMENTS

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CITY OF DESOTO, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2025

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	DeSoto Development Corporation
ASSETS				
Cash and investments	$ 154,229,070	$ 44,358,888	$ 198,587,958	$ 13,569,895
Receivables, net of allowances	8,036,765	7,097,501	15,134,266	809,160
Due from other governments	4,078,774	12,958	4,091,732	-
Due from component unit	1,831,419	-	1,831,419	-
Inventories	132,154	9,267	141,421	-
Prepaid items	3,003	-	3,003	-
Notes receivable	-	-	-	4,089
Restricted assets:				
Cash and investments	-	19,191,940	19,191,940	1,000,000
Investment in joint ventures	2,114,878	-	2,114,878	-
Capital assets:				
Non-depreciable	87,101,992	22,506,295	109,608,287	11,250
Depreciable, net	99,271,593	49,384,558	148,656,151	6,190,717
Total capital assets	186,373,585	71,890,853	258,264,438	6,201,967
Total assets	356,799,648	142,561,407	499,361,055	21,585,111
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - pension related	5,022,052	490,021	5,512,073	-
Deferred outflows - OPEB related	131,082	12,381	143,463	-
Deferred loss on refunding	-	250,074	250,074	-
Total deferred outflows of resources	5,153,134	752,476	5,905,610	-
LIABILITIES				
Accounts payable and accrued expenses	10,945,481	3,698,204	14,643,685	12,447
Accrued liabilities	2,943,902	162,782	3,106,684	21,845
Accrued interest payable	1,046,896	361,693	1,408,589	-
Arbitrage liability	462,880	238,911	701,791	-
Customer deposits	49,428	1,809,876	1,859,304	20,804
Due to primary government	-	-	-	1,831,419
Due to other governments	-	16,259	16,259	-
Unearned revenue	1,470,203	-	1,470,203	-
Noncurrent liabilities				
Due within one year	13,540,911	2,996,226	16,537,137	2,447,575
Due in more than one year	128,014,059	45,343,061	173,357,120	2,357,714
Net pension liability	6,948,653	678,011	7,626,664	-
Total OPEB liability	1,059,045	100,029	1,159,074	-
Total liabilities	166,481,458	55,405,052	221,886,510	6,691,804
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - pension related	1,833,828	178,935	2,012,763	-
Deferred inflows - OPEB related	321,374	30,353	351,727	-
Deferred gain on refunding	118,915	-	118,915	-
Total deferred inflows of resources	2,274,117	209,288	2,483,405	-
NET POSITION				
Net investment in capital assets	97,609,291	39,771,021	137,380,312	1,425,369
Restricted for:				
Debt service	5,396,795	-	5,396,795	-
Construction	-	2,352,046	2,352,046	-
Public safety	3,616,546	-	3,616,546	-
Economic development	8,422,542	-	8,422,542	-
Capital projects	6,683,163	-	6,683,163	-
Unrestricted	71,468,870	45,576,476	117,045,346	13,467,938
Total net position	$ 193,197,207	$ 87,699,543	$ 280,896,750	$ 14,893,307

The accompanying notes are an integral part of these financial statements.

CITY OF DESOTO, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2025

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Functions:				
Primary Government:				
Governmental Activities:				
General government	$ 11,246,902	$ 4,685,182	$ 2,063,467	$ -
Public safety	33,174,592	2,108,123	2,421,776	587,325
Developmental services	13,595,874	280,800	919,397	-
Financial services	1,839,347	-	-	-
Municipal court	981,744	1,436,778	-	-
Information technology	2,680,211	-	-	-
Human resources	1,220,665	-	-	-
Parks and recreation	7,371,073	2,583,407	-	-
Library services	1,411,425	1,934	-	-
Interest	4,522,586	-	-	-
Total Governmental Activities	78,044,419	11,096,224	5,404,640	587,325
Business-type Activities:				
Public utility	28,482,065	29,511,232	-	737,274
Storm drainage	1,319,450	2,148,429	-	-
Sanitation	6,738,671	7,701,681	-	-
Golf	475,520	1,939,670	-	2,690,125
Total Business-type Activities	37,015,706	41,301,012	-	3,427,399
Total Primary Government	$ 115,060,125	$ 52,397,236	$ 5,404,640	$ 4,014,724
Component Unit:				
DeSoto Development Corporation	4,844,154	-	-	-
Total Component Unit	$ 4,844,154	$ -	$ -	$ -
General Revenues:				
Taxes:				
Property taxes				
Special assessments				
Franchise and other taxes				
Sales taxes				
Hotel occupancy				
Grants not restricted to specific programs				
Unrestricted investment earnings				
Gain on sale of capital assets				
Miscellaneous				
Transfers				
Total General Revenues and Transfers				
Change in net position				
Net position - beginning				
Net position - ending				

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	DeSoto Development Corporation
$ (4,498,253)	$ -	$ (4,498,253)	$ -
(28,057,368)	-	(28,057,368)	-
(12,395,677)	-	(12,395,677)	-
(1,839,347)	-	(1,839,347)	-
455,034	-	455,034	-
(2,680,211)	-	(2,680,211)	-
(1,220,665)	-	(1,220,665)	-
(4,787,666)	-	(4,787,666)	-
(1,409,491)	-	(1,409,491)	-
(4,522,586)	-	(4,522,586)	-
(60,956,230)	-	(60,956,230)	-
-	1,766,441	1,766,441	-
-	828,979	828,979	-
-	963,010	963,010	-
-	4,154,275	4,154,275	-
-	7,712,705	7,712,705	-
$ (60,956,230)	$ 7,712,705	$ (53,243,525)	$ -
			(4,844,154)
			$ (4,844,154)
51,451,919	-	51,451,919	-
395,262	-	395,262	-
2,961,458	-	2,961,458	-
11,723,283	-	11,723,283	4,017,777
1,424,966	-	1,424,966	-
607,775	-	607,775	-
6,958,004	2,660,347	9,618,351	586,500
25,678	-	25,678	-
462,004	1,868,260	2,330,264	15,898
2,763,480	(2,763,480)	-	-
78,773,829	1,765,127	80,538,956	4,620,175
17,817,599	9,477,832	27,295,431	(223,979)
175,379,608	78,221,711	253,601,319	15,117,286
$ 193,197,207	$ 87,699,543	$ 280,896,750	$ 14,893,307

CITY OF DESOTO, TEXAS

BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2025

	General	Debt Service Fund	Capital Projects: Street Improvement	Capital Projects: Park Improvement	Special Revenue: ARPA Grant Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
ASSETS							
Cash and investments	$ 51,433,921	$ 5,447,547	$ 52,794,026	$ 20,807,449	$ 1,738,947	$ 22,007,180	$ 154,229,070
Receivables, net:							
Taxes	2,909,838	231,644	-	-	-	154,455	3,295,937
Accounts and other	4,284,694	-	63,073	-	-	393,061	4,740,828
Due from other governments	3,798,977	-	-	-	-	279,797	4,078,774
Due from other funds	2,762,352	-	-	-	-	-	2,762,352
Due from component unit	1,831,419	-	-	-	-	-	1,831,419
Inventories	132,154	-	-	-	-	-	132,154
Prepaid items	-	-	-	-	-	3,003	3,003
Total assets	$ 67,153,355	$ 5,679,191	$ 52,857,099	$ 20,807,449	$ 1,738,947	$ 22,837,496	$ 171,073,537
LIABILITIES							
Accounts payable	6,272,991	-	261,414	4,191,122	-	219,954	10,945,481
Accrued liabilities	2,880,281	-	-	-	-	63,621	2,943,902
Arbitrage liability	-	50,734	238,611	-	-	173,535	462,880
Due to other funds	-	-	2,000,000	-	-	762,352	2,762,352
Customer deposits	49,428	-	-	-	-	-	49,428
Unearned revenue	89,921	-	-	-	1,374,157	6,125	1,470,203
Total liabilities	9,292,621	50,734	2,500,025	4,191,122	1,374,157	1,225,587	18,634,246
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue	3,159,226	231,662	-	-	-	34,984	3,425,872
Total deferred inflows of resources	3,159,226	231,662	-	-	-	34,984	3,425,872
FUND BALANCES							
Nonspendable for:							
Inventory	132,154	-	-	-	-	-	132,154
Prepaid items	-	-	-	-	-	3,003	3,003
Restricted for:							
Debt service	-	5,396,795	-	-	-	-	5,396,795
Street improvements	-	-	50,357,074	-	-	-	50,357,074
Public safety	-	-	-	-	-	3,616,546	3,616,546
Economic development	-	-	-	-	-	8,422,542	8,422,542
Capital projects	-	-	-	16,616,327	364,790	4,762,017	21,743,134
Committed for:							
Public health	-	-	-	-	-	95,227	95,227
Development activities	-	-	-	-	-	162,905	162,905
Assigned for:							
Capital projects	-	-	-	-	-	4,514,685	4,514,685
Future healthcare costs	440,000	-	-	-	-	-	440,000
Unassigned	54,129,354	-	-	-	-	-	54,129,354
Total fund balances	54,701,508	5,396,795	50,357,074	16,616,327	364,790	21,576,925	149,013,419
Total liabilities, deferred inflows of resources and fund balances	$ 67,153,355	$ 5,679,191	$ 52,857,099	$ 20,807,449	$ 1,738,947	$ 22,837,496	$ 171,073,537

The accompanying notes are an integral part of these financial statements.

CITY OF DESOTO, TEXAS

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION

SEPTEMBER 30, 2025

Total Fund Balances - Governmental Funds	$ 149,013,419
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	186,373,585
Some liabilities are not due and payable in the current period and are not included in the fund financial statements, but are included in the governmental activities of the Statement of Net Position.	
Bonds and certificates of obligation payable	(124,150,000)
Lease liabilities	(498,713)
Subscription liabilities	(822,536)
Compensated absences	(6,099,211)
Accrued interest payable	(1,046,896)
Unamortized premium on bonds	(9,984,510)
Unavailable revenues in the governmental fund statements is recognized as revenue in the government-wide financial statements.	3,425,872
Certain other long-term assets and liabilities are not available to pay current period expenditures or are not due and payable in the current period and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	
Investment in joint venture	2,114,878
Deferred gain on refunding	(118,915)
Net pension liability	(6,948,653)
Total OPEB liability	(1,059,045)
Deferred outflows of resources related to the net pension liability	5,022,052
Deferred outflows of resources related to the total OPEB liability	131,082
Deferred inflows of resources related to the net pension liability	(1,833,828)
Deferred inflows of resources related to the total OPEB liability	(321,374)
Net Position of Governmental Activities	$ 193,197,207

The accompanying notes are an integral part of these financial statements.

CITY OF DESOTO, TEXAS

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	General Fund	Debt Service Fund	Capital Projects: Street Improvement	Capital Projects: Park Improvement	Special Revenue: ARPA Grant Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
REVENUES							
Property taxes	$ 37,245,330	$ 13,763,255	$ -	$ -	$ -	$ 118,999	$ 51,127,584
Sales taxes	11,723,283	-	-	-	-	-	11,723,283
Franchise fees and other	2,961,458	-	-	-	-	-	2,961,458
Hotel occupancy tax	-	-	-	-	-	1,424,966	1,424,966
Property assessments	-	-	-	-	-	395,262	395,262
Fines and forfeitures	1,469,402	-	-	-	-	73,338	1,542,740
Licenses and permits	1,149,771	-	-	-	-	-	1,149,771
Intergovernmental	1,132,837	1,070,250	-	2,000,000	607,775	3,201,553	8,012,415
Charges for services	3,532,628	-	-	-	-	29,342	3,561,970
Investment earnings	2,080,525	332,208	2,076,169	1,188,825	104,793	1,175,484	6,958,004
Recreation services	1,014,565	-	-	-	-	-	1,014,565
Impact fees	-	-	587,325	-	-	-	587,325
Miscellaneous	151,386	28	-	-	-	-	151,414
Total revenues	62,461,185	15,165,741	2,663,494	3,188,825	712,568	6,418,944	90,610,757
EXPENDITURES							
Current:							
General government	5,517,196	-	-	-	-	1,041,529	6,558,725
Public safety:							
Police	17,034,450	-	-	-	-	2,240,296	19,274,746
Fire	12,633,879	-	-	-	-	-	12,633,879
Development services	7,464,350	-	-	-	-	222,004	7,686,354
Financial services	1,813,430	-	-	-	-	-	1,813,430
Municipal court	904,598	-	-	-	-	77,146	981,744
Information technology	2,130,776	-	-	-	-	-	2,130,776
Human resources	1,220,665	-	-	-	-	-	1,220,665
Parks and recreation	6,248,531	-	-	-	-	654	6,249,185
Library services	1,378,378	-	-	-	-	-	1,378,378
Debt service:							
Principal	584,993	11,003,977	-	-	-	-	11,588,970
Interest and other	49,731	4,197,417	238,611	-	-	173,535	4,659,294
Bond issuance costs	-	-	131,592	189,598	-	13,950	335,140
Capital outlay	3,566,952	-	1,693,830	32,889,190	607,775	5,289,871	44,047,618
Total expenditures	60,547,929	15,201,394	2,064,033	33,078,788	607,775	9,058,985	120,558,904
Excess (deficiency) of revenues over expenditures	1,913,256	(35,653)	599,461	(29,889,963)	104,793	(2,640,041)	(29,948,147)
OTHER FINANCING SOURCES (USES)							
Issuance of debt	-	-	13,651,617	19,801,215	-	1,447,168	34,900,000
Premium on issuance of debt	-	-	632,127	891,502	-	67,010	1,590,639
Leases issued	574,538	-	-	-	-	-	574,538
Subscriptions issued	832,204	-	-	-	-	-	832,204
Proceeds from sale of capital assets	61,900	-	-	-	-	-	61,900
Insurance recoveries	310,590	-	-	-	-	-	310,590
Transfers in	2,974,780	246,964	704,689	-	-	262,719	4,189,152
Transfers out	(1,001,653)	(26,300)	-	-	-	(397,719)	(1,425,672)
Total other financing sources (uses)	3,752,359	220,664	14,988,433	20,692,717	-	1,379,178	41,033,351
NET CHANGE IN FUND BALANCES	5,665,615	185,011	15,587,894	(9,197,246)	104,793	(1,260,863)	11,085,204
FUND BALANCES - BEGINNING	49,035,893	5,211,784	34,769,180	25,813,573	259,997	22,837,788	137,928,215
FUND BALANCES - ENDING	$ 54,701,508	$ 5,396,795	$ 50,357,074	$ 16,616,327	$ 364,790	$ 21,576,925	$ 149,013,419

The accompanying notes are an integral part of these financial statements.

CITY OF DESOTO, TEXAS

RECONCILIATION OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2025

Net Changes in Fund Balances - Governmental Funds	$	11,085,204
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.		
Capital outlay		44,047,618
Depreciation expense		(9,925,918)
Contribution to Golf Fund		(2,690,125)
Gain on sale of assets		(36,222)
Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.		
Unavailable charges for services		280,800
Unavailable tax and emergency management revenues		993,572
Unavailable court fines and fees		(24,355)
Change in equity interest of joint venture		901,496
Governmental funds report proceeds from long-term debt as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of long-term debt principal as an expenditure, In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities.		
Debt service principal		11,588,970
Issuance of bonds		(34,900,000)
Premium on issuance of debt		(1,590,639)
Leases issued		(574,538)
Subscriptions issued		(832,204)
Pension and OPEB contributions are treated as expenditures in the fund based financial statements, but are treated as reductions in the City's net pension and OPEB liability in the statement of net position. This amount is the difference between pension and OPEB contributions and net pension and OPEB expense for the current fiscal year.		
Pension expense		(954,315)
OPEB expense		(7,082)
Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:		
(Increase) decrease in accrued interest		(441,229)
(Increase) decrease in compensated absences		(16,511)
Amortization of premium on bonds		862,240
Amortization of deferred gain on refunding		50,837
Change in Net Position of Governmental Activities	$	17,817,599

The accompanying notes are an integral part of these financial statements.

CITY OF DESOTO, TEXAS

STATEMENT OF NET POSITON - PROPRIETARY FUNDS

September 30, 2025

	Business-Type Activities - Enterprise Funds				
	Public Utility	Drainage	Sanitation	Nonmajor Golf	Total
ASSETS					
Current assets:					
Cash and investments	$ 33,128,205	$ 8,416,171	$ 2,814,512	$ -	$ 44,358,888
Accounts receivable, net	5,611,932	410,470	1,072,484	2,615	7,097,501
Due from other governments	-	12,958	-	-	12,958
Inventories	9,267	-	-	-	9,267
Total current assets	38,749,404	8,839,599	3,886,996	2,615	51,478,614
Noncurrent assets:					
Restricted cash and investments	18,203,104	988,836	-	-	19,191,940
Capital assets:					
Land	583,160	341,196	320,087	2,690,125	3,934,568
Construction in progress	16,569,213	2,002,514	-	-	18,571,727
Improvements	12,755,282	5,002,363	548,503	-	18,306,148
Water and sewer systems	102,232,746	-	-	-	102,232,746
Drainage systems	-	14,519,721	-	-	14,519,721
Equipment and furniture	2,448,316	105,896	408,685	-	2,962,897
Lease asset	-	-	-	122,325	122,325
Less: accumulated depreciation/amortization	(74,801,305)	(13,253,649)	(686,850)	(17,475)	(88,759,279)
Total noncurrent assets	77,990,516	9,706,877	590,425	2,794,975	91,082,793
Total assets	116,739,920	18,546,476	4,477,421	2,797,590	142,561,407
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows - pension related	383,088	41,340	65,593	-	490,021
Deferred outflows - OPEB related	12,381	-	-	-	12,381
Deferred loss on refunding	250,074	-	-	-	250,074
Total deferred outflows of resources	645,543	41,340	65,593	-	752,476
LIABILITIES					
Current liabilities:					
Accounts payable	2,497,417	46,696	1,145,134	-	3,689,247
Accrued liabilities	142,705	6,126	22,908	-	171,739
Due to other governments	-	-	-	16,259	16,259
Accrued interest	314,247	47,446	-	-	361,693
Arbitrage liability	235,324	3,587	-	-	238,911
Customer deposits	1,809,666	-	210	-	1,809,876
Lease liability	-	-	-	68,910	68,910
Compensated absences	176,793	31,644	23,879	-	232,316
Bonds payable	2,173,387	521,613	-	-	2,695,000
Total current liabilities	7,349,539	657,112	1,192,131	85,169	9,283,951
Noncurrent liabilities:					
Lease liability	-	-	-	40,727	40,727
Compensated absences	93,328	17,762	11,126	-	122,216
Bonds payable, net	43,108,671	2,071,447	-	-	45,180,118
Net pension liability	530,053	57,200	90,758	-	678,011
Total OPEB liability	100,029	-	-	-	100,029
Total noncurrent liabilities	43,832,081	2,146,409	101,884	40,727	46,121,101
Total liabilities	51,181,620	2,803,521	1,294,015	125,896	55,405,052
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows - pension	139,888	15,096	23,951	-	178,935
Deferred inflows - OPEB	30,353	-	-	-	30,353
Total deferred inflows of resources	170,241	15,096	23,951	-	209,288
NET POSITION					
Net investment in capital assets	29,401,600	7,093,658	590,425	2,685,338	39,771,021
Restricted for construction	2,352,046	-	-	-	2,352,046
Unrestricted	34,279,956	8,675,541	2,634,623	(13,644)	45,576,476
Total net position	$ 66,033,602	$ 15,769,199	$ 3,225,048	$ 2,671,694	$ 87,699,543

The accompanying notes are an integral part of these financial statements.

CITY OF DESOTO, TEXAS

STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Business-Type Activities - Enterprise Funds				
	Public Utility	Drainage	Sanitation	Nonmajor Golf	Total
OPERATING REVENUES					
Charges for services	$ 30,579,895	$ 2,219,900	$ 7,822,691	$ 678,526	$ 41,301,012
Total operating revenues	30,579,895	2,219,900	7,822,691	678,526	41,301,012
OPERATING EXPENSES					
Personnel costs	3,223,578	169,631	600,301	306,706	4,300,216
Water supply	7,420,575	-	-	-	7,420,575
Wastewater treatment	9,685,481	-	-	-	9,685,481
Refuse collection	-	-	5,348,500	-	5,348,500
Administrative charges	1,356,063	102,673	534,235	26,462	2,019,433
Contractual services	388,506	293,001	211,826	-	893,333
Repairs and maintenance	762,806	10,390	20,945	-	794,141
Materials and supplies	462,382	3,173	21,964	354,078	841,597
Other	426,654	2,334	900	-	429,888
Depreciation/amortization	2,898,790	613,474	70,752	17,475	3,600,491
Total operating expenses	26,624,835	1,194,676	6,809,423	704,721	35,333,655
Operating Income	3,955,060	1,025,224	1,013,268	(26,195)	5,967,357
NON-OPERATING REVENUES (EXPENSES)					
Investment income	2,286,530	292,412	81,405	-	2,660,347
Miscellaneous revenue	1,860,484	-	-	7,776	1,868,260
Interest expense	(1,628,017)	(54,022)	-	(12)	(1,682,051)
Total nonoperating revenues (expenses)	2,518,997	238,390	81,405	7,764	2,846,556
INCOME BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	6,474,057	1,263,614	1,094,673	(18,431)	8,813,913
Capital contributions - impact fees	737,274	-	-	-	737,274
Capital contributions	-	-	-	2,690,125	2,690,125
Transfers out	(2,763,480)	-	-	-	(2,763,480)
CHANGE IN NET POSITION	4,447,851	1,263,614	1,094,673	2,671,694	9,477,832
NET POSITION - BEGINNING	61,585,751	14,505,585	2,130,375	-	78,221,711
NET POSITION - END OF YEAR	$ 66,033,602	$ 15,769,199	$ 3,225,048	$ 2,671,694	$ 87,699,543

The accompanying notes are an integral par of these financial statements.

CITY OF DESOTO, TEXAS

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Business-Type Activities - Enterprise Funds				
	Public Utility	Drainage	Sanitation	Nonmajor Golf	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	$ 29,607,216	$ 2,005,819	$ 7,576,334	$ 678,526	$ 39,867,895
Payments to suppliers	(20,577,715)	(482,521)	(5,780,125)	(364,281)	(27,204,642)
Payments to employees	(3,116,066)	(178,516)	(583,435)	(306,706)	(4,184,723)
Net cash provided by operating activities	5,913,435	1,344,782	1,212,774	7,539	8,478,530
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Other receipts	1,860,484	-	-	5,161	1,865,645
Transfers out to other funds	(2,763,480)	-	-	-	(2,763,480)
Net cash provided (used) by noncapital financing activities	(902,996)	-	-	5,161	(897,835)
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(5,240,729)	(490,640)	-	-	(5,731,369)
Proceeds from capital debt	9,629,032	2,310,968	-	-	11,940,000
Proceeds from premium on capital debt	466,331	111,919	-	-	578,250
Proceeds from sale of capital assets	92,197	-	-	-	92,197
Principal paid on long-term debt	(1,685,232)	(209,821)	-	(12,688)	(1,895,053)
Interest paid on long-term debt	(1,607,368)	(6,850)	-	(12)	(1,614,218)
Impact fees for capital projects	737,274	-	-	-	737,274
Net cash provided (used) by capital and related financing activities	2,391,505	1,715,576	-	(12,700)	4,107,081
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	2,286,530	292,412	81,405	-	2,660,347
Net cash provided by investing activities	2,286,530	292,412	81,405	-	2,660,347
Net increase in cash and cash equivalents	9,688,474	3,352,770	1,294,179	-	14,335,423
Cash and cash equivalents, beginning of year:					
Cash and cash equivalents	41,642,835	6,052,237	1,520,333	-	49,215,405
Cash and cash equivalents, end of year:					
Cash and cash equivalents	33,128,205	8,416,171	2,814,512	-	44,358,888
Restricted cash and cash equivalents	18,203,104	988,836	-	-	19,191,940
Total cash and cash equivalents	$ 51,331,309	$ 9,405,007	$ 2,814,512	$ -	$ 63,550,828
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Operating income (loss)	3,955,060	1,025,224	1,013,268	(26,195)	5,967,357
Adjustments to reconcile operating income to net cash provided operating activities:					
Depreciation	2,898,790	613,474	70,752	17,475	3,600,491
Decrease (increase) in customer receivable	(974,226)	(214,081)	(246,357)	-	(1,434,664)
Decrease (increase) in inventory	(204)	-	-	-	(204)
Increase (decrease) in accounts payable	(122,571)	(71,063)	355,155	-	161,521
Increase (decrease) in accrued liabilities	47,527	113	3,090	16,259	66,989
Increase (decrease) in customer deposits	1,547	-	-	-	1,547
Increase (decrease) in compensated absences	34,046	(16,741)	4,401	-	21,706
Increase (decrease) in net pension/total OPEB liabilities	(277,047)	(29,590)	(46,949)	-	(353,586)
Increase (decrease) in pension related deferred inflows	101,258	11,427	18,130	-	130,815
Increase (decrease) in pension and OPEB related deferred outflows	249,255	26,019	41,284	-	316,558
Net cash provided by operating activities	$ 5,913,435	$ 1,344,782	$ 1,212,774	$ 7,539	$ 8,478,530
Schedule of Noncash Capital and Related Financing Activities					
Capital assets included in accounts payable	$ 1,437,691	$ 19,313	$ -	$ -	$ 1,457,004
Leases issued	-	-	-	122,325	122,325
Donated capital assets	-	-	-	2,690,125	2,690,125
Amortization of bond premium	199,313	1,924	-	-	201,237

The accompanying notes are an integral part of these financial statements.

1. Summary of Significant Accounting Policies

The City of DeSoto (the "City") was incorporated in 1949. The City operates as a home-rule City under a council-manager form of government with a mayor and six City Council members elected at large. The City provides the following services as authorized by its charter: public safety (police and fire), streets, water, sewer and drainage utilities, solid waste operations, public library, parks and recreation, public improvements, planning, zoning and code enforcement, and general administrative services.

The accounting and reporting policies of the City conform to accounting principles generally accepted in the United States of America for local governments. Generally accepted accounting principles (GAAP) for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant accounting and reporting policies:

A. Reporting Entity

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations and are appropriately presented as funds of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the City.

Based on these criteria, the financial information of the following entities is blended or discretely presented within the financial statements.

Blended Component Units

Health Facilities Development Corporation - The City created the Corporation to assist the maintenance of public health within the City. The Corporation's governing body is the same as the governing body of the City. Operational responsibility of the Health Facilities Development Corporation lies with City management. Upon dissolution of the Corporation, the assets of the Corporation shall be distributed to the City.

Housing Finance Corporation - The City created the Corporation to carry out the purposes of the Texas Housing Finance Corporations Act within the City. The Corporation's governing body is substantially the same as the governing body of the City. There are seven directors. Operational responsibility of the Housing Finance Corporation lies with City management. Upon dissolution of the Corporation, title to or other interests in any real or personal property owned by the Corporation shall vest in the City.

Industrial Development Authority, Inc. - The City created the Corporation for the purposes of promoting and developing commercial, industrial, manufacturing and medical research enterprises to promote and encourage employment, public health and public welfare within the City. The Corporation's governing body is the same as the governing body of the City and operational responsibility lies with City management. Upon dissolution of the Corporation, the assets of the Corporation shall be distributed to the City.

Public Improvement District (PID) - In March 2020, the City accepted a petition to authorize the creation of a Public Improvement District in accordance with Chapter 372 of the Texas Local Government Code. The PID was created for the purpose of making improvements to a designated geographic area by levying a special property assessment on the property within that area. Project costs will initially be paid for using current assessments, but the City may issue debt in the future with the assessment pledged to service that debt. In accordance with the enabling legislation, City Council has the authority to approve and modify the special assessment, appoint administration, and authorize all debt issuances. The PID is accounted for in the Public Improvement District Fund, a nonmajor special revenue fund. For 2025, the special assessment was $395,262 and the City has collected 96.31% of the assessment.

Discretely Presented Component Unit

DeSoto Development Corporation (DDC) - The Corporation was created in 2021 for the purpose of promoting development within the City. There are five directors, all appointed by the City Council. All directors are residents of the City. Each director serves a three-year staggered term. The Corporation is authorized to borrow funds and issue bonds with City Council approval, and is assigned a portion of the City's sales tax revenues to promote economic development. The DDC does not issue separate financial statements.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its discretely presented component units.

All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, transactions between governmental and business-type activities have not been eliminated. *Governmental activities*, which are normally supported by property, sales and franchise taxes, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Significant revenues generated from business-type activities include: charges to customers for water and wastewater services, municipal drainage services and charges for solid waste services. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

This statement demonstrates the degree to which the direct expenses of a given function of government are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function of City government. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues in the statement of activities.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

In addition to the government-wide financial statements, the City also reports separate financial statements for governmental funds and proprietary funds and these statements are classified as fund financial statements. The fund financial statements are organized on the basis funds, each of which is considered a separate accounting entity with self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance/net position, revenues and expenditures or expenses. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds and major individual Proprietary Funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

General Fund - The General Fund is the primary operating fund of the City. This fund is used to account for all financial resources of the general government, except those required to be accounted for in another fund.

Debt Service Fund - This fund accounts for the accumulation of resources (primarily property tax levies) for the payment of principal, interest and related costs of general long-term debt.

Street Improvement Fund - This fund accounts for the financial and construction costs of various street improvement projects within the City. General obligation and certificate of obligation bonds provide the financing.

Park Improvement Fund – These funds account for the financial and construction costs of various park improvement projects within the City. General obligation and certificate of obligation bonds provide the financing.

ARPA Grant Fund – This fund accounts for funds received under the American Rescue Plan Act grant and the related expenditures. This fund is designated as major.

The City reports the following major proprietary funds:

Public Utility Fund - This fund accounts for water and wastewater system services provided for residents and businesses of the City, including administration, operations, maintenance, debt service, billing and collection.

Drainage Fund - This fund accounts for the operation of the Drainage Utility and provides funding for drainage capital improvements, and enhanced maintenance of the drainage system.

Sanitation Fund - This fund accounts for revenues and expenses of solid waste operations. Revenues are generated through user charges. This fund also funds additional services for litter control and median beautification, street sweeping and household hazardous waste collection.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. With the economic resources measurement focus, all assets and liabilities (whether current or noncurrent) are reported on the Statement of Net Position.

As a general rule, except for interfund services provided and used which are not eliminated in the process of consolidation, the effect of other interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers for goods or services provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary operating are charges to customers for sales and services. All revenues and expenses that do not meet this definition are reported as non-operating revenues and expenses. Unbilled receivables for water and sewer services are recorded at year-end.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it becomes measurable and available. Measurable means the amount of the transaction can be determined. Available means collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenue to be available if it is collected within 60 days of the fiscal year-end. Expenditures are recognized under the modified accrual basis of accounting when the related fund liability is incurred, with the exception of principal and interest on general long-term debt, and liabilities for accrued compensated absences, which are recognized when due.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

D. Assets, Liabilities, Deferred Outflows/Inflows and Net Position/Fund Balance

Cash and Cash Equivalents

The City's cash and cash equivalents are considered short-term, highly liquid investments with a maturity date within three months of the date acquired that are readily convertible to known amounts of cash and so near maturity that there is not significant risk of changes in value due to change in interest rates.

Investments

Investments consist of balances in privately managed public funds investment pools, money market funds, and certificates of deposit. Investments for the City are reported at fair value, except for the position in investment pools. The City's investment in pools are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method.

The City categorizes fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs.

Public Funds Investment Pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act Chapter 79 of the Texas Government Code and are subject to the provisions of the Public Funds Investment Act (the "Act") Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the fair value of its underlying investment portfolio within one-half of one percent of the value of its shares.

Property Taxes

Ad valorem taxes are levied from valuations assessed as of January 1 and are recognized as revenue beginning on the date of levy, October 1, when they become available. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay current liabilities. Taxes not expected to be collected within 60 days of the fiscal year are recorded as deferred inflows of resources and is recognized when it becomes available. Taxes collected prior to the levy date to which they apply are recorded as deferred inflows of resources and recognized as revenue of the period to which they apply. Current taxes are due on October 1 and become delinquent if unpaid on February 1 and are turned over to the City Attorney for collection on July 1. Delinquent property taxes attach as an enforceable lien on property as of January 1. For the year ended September 30, 2025, the City had a tax rate of $.684934 per $100, of which $.503934 was allocated for general government, and $.181000 was allocated for payment of principal and interest on governmental activities long-term debt.

Receivables

Accounts receivable consist primarily of amounts due from citizens for various services provided by the City as well as property taxes, sales taxes, and franchise taxes. Management evaluates the adequacy of the allowance for doubtful accounts based on a review of the aging of accounts and other specific information known by management.

Due from Other Governments

The amount due from other governments represent balances owed to the City from various governmental agencies for reimbursement of eligible expenditures.

Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the fund financial statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Inventories and Prepaid Items

Inventory is valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies and repair parts. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Restricted Assets

Certain proceeds from bonds, resources set aside for their repayment, and other restrictive agreements are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants and/or contractual arrangements.

Capital Assets

Capital assets, which include land, buildings, infrastructure, improvements, equipment and construction in progress, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are recorded at historical cost or estimated historical cost. Donated capital assets, and donated works of art and similar items are valued at their acquisition value on the date donated. Repairs and maintenance are recorded as expenses. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Assets capitalized have an original cost of $5,000 or more and a useful life of more than 1 year. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Assets	Useful Lives (Years)
Infrastructure, water and sewer system, and water line replacements	10 - 50
Buildings	32
Equipment and furniture	8 - 30

Lease Assets

Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

Subscription Assets

Subscription assets are initially recorded at the initial measurement of the subscription liability, plus subscription payments made at or before the commencement of the subscription-based information technology arrangement (SBITA) term, less any SBITA vendor incentives received from the SBITA vendor at or before the commencement of the SBITA term, plus capitalizable initial implementation costs. Subscription assets are amortized on a straight-line basis over the shorter of the SBITA term or the useful life of the underlying IT asset.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future reporting period and thus, will not be recognized as an outflow of resources (expense/expenditure) until that time. The City has the following items that qualify for reporting in this category.

- Deferred loss on refunding - A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

- Pension and OPEB contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.

- Changes in actuarial assumptions and other inputs included in determining the total OPEB liability – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

- Differences between expected and actual economic experience for the City's pension plan – These effects on the pension liability are deferred and amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees).

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to future periods. therefore, will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources reported in the Statements of Net Position and/or balance sheet are as follows:

- Deferred gain on refunding – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

- Differences between expected and actual economic experience for the City's total OPEB plan – These effects on the total OPEB liability are deferred and amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the total OPEB plan (active employees and inactive employees).

- Changes in actuarial assumptions and other inputs included in determining the pension and OPEB liability – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

- Difference in projected and actual investment earnings on pension assets – This difference is deferred and amortized over a closed five-year period.

- Deferred inflows of resources for unavailable revenues – This arises only under the modified accrual basis of accounting. Accordingly, unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes, property assessments, court fines and fees, EMS services, and alarm permits.

- Leases – Represents the initial value of the lease receivable under GASB 87 systematically reduced and recognized as lease revenue over the term of the lease. This deferred inflow is recorded at both the fund level and government-wide financial statements.

Compensated Absences

The City permits employees to accumulate to certain limits unused vacation, sick leave and compensatory time. The City's policy is that leave earned in the current period is used before leave earned in prior periods. For civilian and police employees, unused vacation leave may be accumulated to a maximum of 320 hours and unused sick leave may be accumulated to a maximum of 720 hours. For firefighters, unused vacation leave may be accumulated to a maximum of 480 hours and unused sick leave may be accumulated to a maximum of 1,080 hours. Accrued compensated absences are reported in the respective columns in the government-wide financial statements and in the proprietary fund financial statements when earned.

Unearned Revenue

Unearned revenue is reported when cash is received before the related performance or eligibility requirements are met. These relate primarily to the grant funds received in advance for the COVID-19 ARPA grants, which will be recognized in future years to the extent that funds are spent. The City also reports unearned revenue for facility rental payments received before the rental is used.

Long-term Debt

In the government-wide financial statements, and the proprietary fund financial statements, long-term debt is reported as a liability in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. In the governmental fund financial statements, bond premiums and discounts are recognized during the current period. The face amount of debt is recorded as other financing sources. Bond premiums and discounts are recorded as other financing sources and uses.

Lease Liability

The City and DeSoto Development Corporation (DDC) is a lessee for noncancellable leases of equipment and a building. The City and DDC recognize lease liabilities and intangible right-to-use lease assets (lease asset) in the government-wide financial statements. The City and DDC recognizes lease liabilities with an initial, individual value of $5,000 or more.

At the commencement of a lease, the City and DDC measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life or lease term, whichever is shorter.

Key estimates and judgments related to leases include how the City and DDC determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City and DDC uses the interest rate charged by the lessor as the discount rate, if available. When the interest rate charged by the lessor is not provided, the City and DDC generally uses its estimated incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City and DDC is reasonably certain to exercise.

The City and DDC monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability or lease asset.

Lease assets are reported with capital, lease, and subscription assets and lease liabilities are reported with long-term liabilities on the statement of net position.

Subscription Liability

The City contracts for noncancellable subscriptions of information technology software. The City recognizes a subscription liability and an intangible subscription asset (subscription asset) in the government-wide financial statements. The City recognizes subscription liabilities with an initial, individual value of $5,000 or more.

At the commencement of a subscription, the City measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made.

The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for subscription payments made at or before the subscription commencement date, plus certain initial direct costs. Subsequently, the subscription asset is amortized on a straight-line basis over its useful life or subscription term, whichever is shorter.

Key estimates and judgments related to subscriptions include how the City determines (1) the discount rate it uses to discount the expected payments to present value, (2) subscription term, and (3) subscription payments.

- The City uses the interest rate charged by the subscription-based information technology arrangement (SBITA) vendor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for subscriptions.

- The subscription term includes the noncancellable period of the subscription. Subscription payments included in the measurement of the liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its SBITA and will remeasure the asset and liability if certain changes occur that are expected to significantly affect the amount of the liability.

Subscription assets are reported with capital, lease, and subscription assets and subscription liabilities are reported with long-term liabilities on the statement of net position.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefits Payments and refunds are recognized when due and payable in accordance with the benefits terms. Investments are reported at fair value.

Other Post-Employment Benefit Plan

The City participates in a defined benefit group-term life insurance plan, both for current and retired employees, administered by the Texas Municipal Retirement System (TMRS). The City reports the total liability for this plan on the government-wide and proprietary fund financial statements. Information regarding the City's total OPEB liability is obtained from TMRS through a report prepared for the City by TMRS' consulting actuary, Gabriel Roeder Smith & Company.

Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources of governmental and business-type activities and proprietary funds. The government-wide and proprietary fund financials utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

Net Investment in Capital Assets – This amount consists of capital, lease and subscription assets, net of accumulated depreciation/amortization, reduced by the outstanding balances of any bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

Restricted Net Position – This amount is restricted by external parties such as creditors, grantors, contributors, or laws or regulations of other governments and limitations imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – This amount is the net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.

- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by ordinance of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

- Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. The City Council delegates the authority for determining this intent to the City Manager. Assignments are made at the City Manager's discretion, but generally represent items for which specific funds have been informally dedicated internally. This classification also includes the remaining positive fund balance for all governmental funds except the General Fund.

- Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

Fund Balance and Net Position Flow Assumptions

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

Interfund Transactions

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as a reduction of expenditures/expenses in the fund reimbursed. All other interfund transactions, except interfund services provided and used, are recorded as transfers.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

Adoption of New Accounting Standards

The City has adopted and implemented the following statements during fiscal year ended September 30, 2025:

The City adopted GASB Statement No. 101, *Compensated Absences* (GASB 101) for the year ended September 30, 2025. The new accounting guidance updates the recognition and measurement guidance for compensated absences under a unified model. Specifically, the new standard clarifies that a liability should be recorded for compensated absences that are more likely than not to be paid or otherwise settled. Additionally, it amends certain existing disclosure requirements. The adoption of GASB 101 had no impact on the City's beginning of year net position.

The City adopted GASB Statement No. 102, *Certain Risk Disclosures* (GASB 102) for the year ended September 30, 2025. The new accounting guidance requires governments to disclose information about certain concentrations or constraints that could affect services provided or the ability to meet obligations as they come due. The adoption of GASB 102 had no impact on the City's beginning of year net position.

Future Financial Reporting Requirements

The GASB has issued the following potentially significant statements which the City has not yet adopted, and which require adoption subsequent to September 30, 2025. The City will evaluate the potential impact on the City's net position.

Statement No.	Title	Adoption Required
103	*Financial Reporting Model Improvements*	September 30, 2026
104	*Disclosure of Certain Capital Assets*	September 30, 2026
105	*Subsequent Events*	September 30, 2027

2. Cash and Investments

As of September 30, 2025, the City's investments included privately managed public funds investment pools, money market funds, and certificates of deposit.

The City participates in the Texas Local Government Investment Pool ("TexPool"), a public funds investment pool created by the Texas Treasury Safekeeping Trust Company (Trust Company) to provide a safe environment for the placement of local government funds in authorized short-term, fully collateralized investments, including direct obligations of, or obligations guaranteed by, the United States or State of Texas or their agencies; federally insured certificates of deposit issued by Texas banks or savings and loans; and fully collateralized direct repurchase agreements secured by United States Government agency securities and placed through a primary government securities dealer. TexPool is carried at amortized cost.

Texas CLASS, the Texas Cooperative Liquid Asset Securities System (Trust Company) was created as an investment pool for its participants pursuant to Section 2256.016 of the Public Funds Investment Act, Texas Government Code. It is administered and managed by Public Trust Advisors, LLC and Wells Fargo Bank N.A. is the custodial bank. The primary objectives of Texas CLASS Investment Pool is to maintain safety of principal while providing participating government entities with the highest possible rate of return for invested funds. Texas CLASS is carred at net asset value. The City's net asset value in the Texas CLASS Investment Pool is the same as the value of the pool shares.

The Local Government Investment Pools do not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. These pools do not impose any liquidity fees or redemption gates and may only restrict withdrawals in the event of a general banking moratorium or during a national state of emergency.

Credit Risk

In compliance with the City's investment policy as of September 30, 2025, the City minimized credit risk losses due to default of a security issuer or backer by limiting investments to the safest types of securities, pre-qualifying financial institutions, brokers/dealers, and advisors with which the City does business, and diversifying the investment portfolio so that potential losses on individual securities are minimized. The following is a listing of investments held at September 30, 2025:

	Recorded Value	Credit Quality Rating	Percentage of Investments	Weighted Average Maturity (Days)
Investment Type:				
Local Government Investment Pools:				
TexPool *	$ 79,708	AAAm	0.06%	28
Texas CLASS	71,642,909	AAAm	13.36%	72
Total Local Government Investment Pools	71,722,617		13.42%	
Investment Securities:				
Certificates of Deposit, non-negotiable *	89,248,755	N/A	74.48%	229
Money Market and Insured Cash Sweep *	15,141,096	N/A	12.10%	1
Total Investment Securities	104,389,851		86.58%	
	$ 176,112,468		100.00%	

* The investments are valued at amortized cost which approximates fair value.

Statement of net position		
Primary Government		
Cash and investments	$	198,587,958
Restricted cash and investments		19,191,940
Component Unit		
Cash and investments		13,569,895
Restricted cash and investments		1,000,000
Total cash and investments	$	232,349,793
Cash on hand	$	5,855
Deposits with financial institutions		160,621,321
Investments in Local Government Investment Pools		71,722,617
Total cash and investments	$	232,349,793

Interest Rate Risk

In order to minimize risk of loss due to interest rate fluctuations, the City's investment policy states investment maturities will not exceed the anticipated cash flow requirement of the funds as follows:

Operating Funds - The dollar weighted average maturity of 365 days or less will be calculated using the stated final maturity of each security and the maximum allowable maturity shall be there for years.

Debt Service Fund - The maximum maturity for securities purchased shall not exceed the corresponding debt service payment date.

Special Purpose Funds - The maximum maturity shall not exceed five years and each fund's weighted average life shall not exceed three years.

Custodial Credit Risk

The City maintains a cash and investment pool that combines cash of the various funds in order to maximize investment opportunities. The City's policy and state statutes require that all deposits in financial institutions be insured by the Federal Depository Insurance Corporation (FDIC) or fully collateralized as per the Public Funds Collateral Act. The City's deposits were fully insured or collateralized as required by state statutes as of September 30, 2025.

As of September 30, 2025, all of DDC's deposits were fully insured by FDIC insurance or collateralized.

3. Receivables

Accounts receivables at September 30, 2025, for the City's individual major and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Debt Service Fund	Street Improvement Fund	Park Improvement Fund	Nonmajor Governmental Funds	Total
Receivables:						
Property taxes	$ 1,719,751	$ 575,584	$ -	$ -	$ -	$ 2,295,335
Sales tax	2,217,689	-	-	-	-	2,217,689
Hotel occupancy taxes	-	-	-	-	154,455	154,455
Court fines	12,393,055	-	-	-	-	12,393,055
Ambulance	5,666,489	-	-	-	-	5,666,489
Franchise fees	708,938	-	-	-	-	708,938
Alarm permits	547,147	-	-	-	-	547,147
Other	357,957	-	63,073	-	393,061	814,091
Gross receivables	23,611,026	575,584	63,073	-	547,516	24,797,199
Less: allowance for uncollectible accounts	(16,416,494)	(343,940)	-		-	(16,760,434)
Net receivables	$ 7,194,532	$ 231,644	$ 63,073	$ -	$ 547,516	$ 8,036,765

	Proprietary Funds			
	Public Utility Fund	Drainage Fund	Sanitation Fund	Total
Customer accounts	$ 5,725,110	$ 428,499	$ 899,212	$ 7,052,821
Other	145,233	-	191,584	336,817
Gross receivables	5,870,343	428,499	1,090,796	7,389,638
Less: allowance for uncollectible accounts	(258,411)	(18,029)	(18,312)	(294,752)
Net receivables	$ 5,611,932	$ 410,470	$ 1,072,484	$ 7,094,886

4. Capital, Lease and Subscription Assets

Capital, lease and subscription assets activity for the primary government for the fiscal year ended September 30, 2025, is as follows:

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Governmental activities:					
Capital assets not being depreciated:					
Land	$ 9,835,670	$ 2,008,598	$ -	$ (50,000)	$ 11,794,268
Street/Alley ROW	14,072,949	-	-	-	14,072,949
Construction in progress	23,904,769	37,973,103	-	(643,097)	61,234,775
Total capital assets not being depreciated	47,813,388	39,981,701	-	(693,097)	87,101,992
Capital and subscription assets being depreciated/amortized:					
Buildings	51,659,650	40,631	-	-	51,700,281
Infrastructure	208,534,039	496,163	-	(1,968,990)	207,061,212
Equipment and furniture	22,870,459	2,122,381	(335,654)	(28,038)	24,629,148
Lease equipment	-	574,538	-	-	574,538
Subscription assets	1,291,892	832,204	-	-	2,124,096
Total assets being depreciated/ amortized	284,356,040	4,065,917	(335,654)	(1,997,028)	286,089,275
Less accumulated depreciation/ amortization for:					
Buildings	(24,121,748)	(1,367,028)	-	-	(25,488,776)
Infrastructure	(130,022,884)	(6,487,628)	-	(4,144,198)	(140,654,710)
Equipment and furniture	(22,254,172)	(1,437,468)	299,432	4,144,198	(19,248,010)
Lease equipment	-	(95,756)	-	-	(95,756)
Subscription assets	(792,392)	(538,038)	-	-	(1,330,430)
Total accumulated depreciation/amortization	(177,191,196)	(9,925,918)	299,432	-	(186,817,682)
Total capital, lease, and subscription assets being depreciated/ amortized, net	107,164,844	(5,860,001)	(36,222)	(1,997,028)	99,271,593
Governmental activities capital, lease, and subscription assets, net	$ 154,978,232	$ 34,121,700	$ (36,222)	$ (2,690,125)	$ 186,373,585

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Business-type activities:					
Capital assets not being depreciated:					
Land	$ 1,244,443	$ -	$ -	$ 2,690,125	3,934,568
Construction in progress	12,568,814	6,036,413	(61,570)	28,070	18,571,727
Total capital assets, not being depreciated	13,813,257	6,036,413	(61,570)	2,718,195	22,506,295
Capital assets being depreciated:					
Water and sewer system	101,616,377	649,760	(7,032)	(26,359)	102,232,746
Drainage system	14,378,404	29,670	-	111,647	14,519,721
Improvements	18,306,148	-	-	-	18,306,148
Equipment and furniture	2,795,744	285,128	(4,617)	(113,358)	2,962,897
Lease equipment	-	122,325	-	-	122,325
Total assets being depreciated	137,096,673	1,086,883	(11,649)	(28,070)	138,143,837
Less accumulated depreciation/ amortization for:					
Water and sewer system	(62,539,833)	(2,545,470)	217,073	-	(64,868,230)
Drainage system	(8,796,689)	(535,238)	-	-	(9,331,927)
Improvements	(12,157,973)	(364,608)	-	-	(12,522,581)
Equipment and furniture	(1,881,366)	(137,700)	-	-	(2,019,066)
Lease equipment	-	(17,475)	-	-	(17,475)
Total accumulated depreciation/ amortization	(85,375,861)	(3,600,491)	217,073	-	(88,759,279)
Total capital and lease assets being depreciated/amortized, net	51,720,812	(2,513,608)	205,424	(28,070)	49,384,558
Business-type activities capital and lease assets, net	$ 65,534,069	$ 3,522,805	$ 143,854	$ 2,690,125	71,890,853

Capital and lease assets activity for the discretely presented component unit is as follows:

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
DeSoto Development Corporation:					
Capital assets not being depreciated:					
Land	$ 11,250	$ -	$ -	$ -	$ 11,250
Total capital assets not being depreciated:	11,250	-	-	-	11,250
Capital and lease assets being depreciated/amortized:					
Building	-	4,650,000	-	-	4,650,000
Improvements	5,324,530	-	-	-	5,324,530
Furniture and equipment	69,879	-	-	-	69,879
Lease asset - building	856,008	-	-	-	856,008
Total assets being depreciated/amortized	6,250,417	4,650,000	-	-	10,900,417
Less accumulated depreciation/ amortization for:					
Building	-	-	-	-	-
Improvements	(3,775,294)	(115,520)	-	-	(3,890,814)
Furniture and equipment	(69,879)	-	-	-	(69,879)
Lease asset- building	(663,406)	(85,601)	-	-	(749,007)
Total accumulated depreciation/ amortization	(4,508,579)	(201,121)	-	-	(4,709,700)
Total capital and lease assets being depreciated/ amortized, net	1,741,838	4,448,879	-	-	6,190,717
DeSoto Development Corporation capital and lease assets, net	$ 1,753,088	$ 4,448,879	$ -	$ -	$ 6,201,967

Depreciation

Depreciation expense was charged to functions/programs of the City as follows:

	Depreciation Expense
Primary government	
Governmental activities:	
General government	$ 1,020,144
Public safety	1,265,967
Development services	5,909,520
Parks and recreation	1,121,888
Library services	33,047
Financial services	25,917
Information technology	549,435
Total depreciation/amortization - governmental activities	9,925,918
Business-type activities:	
Public Utility	2,898,790
Drainage	613,474
Sanitation	70,752
Golf	17,475
Total depreciation/amortization - business-type activities	3,600,491
Total primary government	$ 13,526,409

Construction Commitments

The City has active construction projects as of September 30, 2025. At year end, the City's commitments with contractors were as follows:

Projects	Remaining Commitment
Street improvements	$ 13,090
Drainage	331,068
Water and sewer	2,738,352
Parks	10,897,616
Total	$ 13,980,126

5. Long-term Liabilities

Changes in the City's long-term liability activity for the year ended September 30, 2025, are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government					
Governmental activities:					
General obligation bonds	$ 20,245,000	$ -	$ (4,945,000)	$ 15,300,000	$ 3,315,000
Certificates of obligation	79,814,947	34,900,000	(5,864,947)	108,850,000	5,940,000
Bond premium	9,256,111	1,590,639	(862,240)	9,984,510	-
Financed purchase	194,030	-	(194,030)	-	-
Lease liability	-	574,538	(75,825)	498,713	116,571
Subscription liability	499,500	832,204	(509,168)	822,536	269,013
Compensated absences	6,082,700	16,511	-	6,099,211	3,900,327
Total governmental activities Long-term liabilities	$ 116,092,288	$ 37,913,892	$ (12,451,210)	$ 141,554,970	$ 13,540,911
Business-type activities:					
General obligation bonds	$ 6,355,000	$ -	$ (1,010,000)	$ 5,345,000	$ 940,000
Certificates of obligation	27,650,053	11,940,000	(885,053)	38,705,000	1,755,000
Bond premium	3,448,105	578,250	(201,237)	3,825,118	-
Lease liability	-	122,325	(12,688)	109,637	68,910
Compensated Absences	332,826	21,706	-	354,532	232,316
Total business-type activities Long-term liabilities	$ 37,785,984	$ 12,662,281	$ (2,108,978)	$ 48,339,287	$ 2,996,226

Changes in compensated absences are reflected net.

Changes in the discretely presented component unit's long-term liabilities for the year ended September 30, 2025, are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
DeSoto Development Corporation:					
Note Payable	$ -	$ 4,650,000	$ -	$ 4,650,000	$ 2,325,000
Compensated Absences	25,991	2,700	-	28,691	21,805
Lease liabilities	223,423	-	(96,825)	126,598	100,770
Total	$ 249,414	$ 4,652,700	$ (96,825)	$ 4,805,289	$ 2,447,575

Changes in compensated absences are reflected net.

The City issues a variety of long-term debt instruments in order to acquire and/or construct major capital facilities and equipment for governmental activities. These instruments include general obligation bonds, certificates of obligation, and tax notes. These debt obligations are secured by primarily future property tax revenues. In some cases, these bonds are also secured by a pledge of net revenues from the utility system that is generally limited to a nominal amount.

Additionally, certain obligations that were marketed as financed purchase have been separately identified; however, the terms of these obligations are not significantly different than other obligations and do not have substantive acceleration clauses. Should the City default on these bonds, any registered owner of the obligations is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make payment.

Governmental Activities

General obligation bonds and certificates of obligation for Governmental Activities outstanding at September 30, 2025, consist of the following individual issues:

General Obligation Bonds:	**Interest Rate**	**Final Maturity Date**	**Outstanding**
2015 General Obligation	2.5 - 3.0%	2/15/2030	1,490,000
2016 Refunding	2.0 - 2.5%	2/15/2036	2,200,000
2016A Refunding (Taxable)	2.15 - 2.25%	2/15/2027	505,000
2017 Refunding	4.0 - 5.0%	2/15/2037	6,515,000
2019 General Obligation	3.0 - 4.0%	2/15/2039	3,715,000
2020A General Obligation Refunding	1.14% - 1.93%	2/15/2031	230,000
2020B General Obligation Refunding	4.0 - 5.0%	2/15/2031	645,000
Total general obligation bonds			15,300,000
Certificates of Obligation:			
2015 Tax and Revenue	3.0%	2/15/2030	935,000
2016 Tax and Revenue	2.5 - 3.0%	2/15/2036	610,000
2017 Tax and Revenue	3.0 - 4.0%	2/15/2037	2,570,000
2019 Tax and Revenue	3.0 - 4.0%	2/15/2039	4,255,000
2020 Tax and Revenue	3.0 - 5.0%	2/15/2040	16,085,000
2022 Tax and Revenue	4.0 - 5.0%	2/15/2042	16,655,000
2024 Tax and Revenue	4.0 - 5.0%	2/15/2044	32,840,000
2025 Tax and Revenue	4.13 - 5.0%	2/15/2045	34,900,000
Total certificates of obligation			108,850,000
Total bonds and certificates of obligation			$ 124,150,000

Business-Type Activities

General obligation bonds and certificates of obligation for Business-Type Activities outstanding at September 30, 2025, consist of the following individual issues:

General Obligation Bonds:	**Interest Rate**	**Final Maturity Date**	**Outstanding**
2016 Refunding Bonds	2.0%	2/15/2026	90,000
2017 Refunding Bonds	4.0 - 5.0%	2/15/2029	970,000
2020A General Obligation Refunding	1.14 - 2.13%	2/15/2033	1,910,000
2020B General Obligation Refunding	4.0 - 5.0%	2/15/2031	2,375,000
Total general obligation bonds			5,345,000
Certificates of Obligation:			
2017 Tax and Revenue	3.0 - 4.0%	2/15/2037	645,000
2019 Tax and Revenue	3.0 - 4.0%	2/15/2039	3,805,000
2020 Tax and Revenue	3.0 - 5.0%	2/15/2040	6,260,000
2022 Tax and Revenue	4.0 - 5.0%	2/15/2042	6,710,000
2024 Tax and Revenue	4.0 - 5.0%	2/15/2044	9,345,000
2025 Tax and Revenue	4.13 - 5.0%	2/15/2044	11,940,000
Total certificates of obligation			38,705,000
Total bonds and certificates of obligation			$ 44,050,000

Debt Service Schedules

The annual debt service requirements for long term debt as of September 30, 2025, are as follows:

General Obligation Bonds

Year Ending September 30,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total Requirements	Principal	Interest	Total Requirements
2026	$ 3,315,000	$ 492,933	$ 3,807,933	$ 940,000	$ 177,553	$ 1,117,553
2027	2,845,000	369,065	3,214,065	895,000	141,579	1,036,579
2028	1,755,000	276,012	2,031,012	920,000	105,594	1,025,594
2029	1,415,000	217,953	1,632,953	965,000	68,851	1,033,851
2030	980,000	176,538	1,156,538	730,000	35,481	765,481
2031-2035	3,155,000	545,530	3,700,530	895,000	26,456	921,456
2036-2040	1,835,000	95,363	1,930,363	-	-	-
Total	$ 15,300,000	$ 2,173,394	$ 17,473,394	$ 5,345,000	$ 555,514	$ 5,900,514

Certificates of Obligation

Year Ending September 30,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total Requirements	Principal	Interest	Total Requirements
2026	$ 5,940,000	$ 5,062,933	$ 11,002,933	$ 1,755,000	$ 1,802,003	$ 3,557,003
2027	4,310,000	4,441,756	8,751,756	1,010,000	1,640,169	2,650,169
2028	4,505,000	4,231,556	8,736,556	1,070,000	1,591,094	2,661,094
2029	4,725,000	4,010,281	8,735,281	1,115,000	1,539,269	2,654,269
2030	4,970,000	3,777,769	8,747,769	1,445,000	1,478,169	2,923,169
2031-2035	27,450,000	15,253,069	42,703,069	10,975,000	6,026,094	17,001,094
2036-2040	32,770,000	8,497,231	41,267,231	13,275,000	3,332,994	16,607,994
2041-2045	24,180,000	2,140,991	26,320,991	8,060,000	840,159	8,900,159
Total	$ 108,850,000	$ 47,415,586	$ 156,265,586	$ 38,705,000	$ 18,249,951	$ 56,954,951

Lease Liabilities

The City leases equipment for the police department, the term expires 2029. Additionally, the discretely presented component unit (DeSoto Development Corporation) leases a building to conduct its operations, the term of which expires 2027. The measurement of the lease payables is based on the present value of lease payments expected to be paid during the lease term, such as fixed payments, variable payments that depend on an index or rate, variable payments that are fixed in substance, residual value guarantee payments that are fixed in substance, and any lease incentives payable to the lessee.

As of September 30, 2025, the value of the lease liabilities was $498,713, $109,637, and $126,598 for the Governmental Activities, Business-Type Activities, and DeSoto Development Corporation, respectively. An incremental borrowing rate of 4.5% was used to measure lease liabilities. The value of the right-to-use assets as of the end of the current fiscal year was $574,538, $122,325, and $856,008 for the Governmental Activities, Business-Type Activities, and DeSoto Development Corporation, respectively, and had accumulated amortization of $95,756, $17,475, and $749,007 for the Governmental Activities, Business-Type Activities, and DeSoto Development Corporation, respectively. During the current year, the Governmental Activities, Business-Type Activities, and DeSoto Development Corporation paid interest of $16,832, $799, and $7,175, respectively.

The future principal and interest payments for lease liabilities as of September 30, 2025, are as follows:

Year Ending September 30,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total Requirements	Principal	Interest	Total Requirements
2026	$ 116,571	$ 18,508	$ 135,079	$ 68,910	$ 3,017	$ 71,927
2027	121,817	13,085	134,902	40,727	339	41,066
2028	127,298	7,418	134,716	-	-	-
2029	133,027	1,497	134,524	-	-	-
Totals	$ 498,713	$ 40,508	$ 539,221	$ 109,637	$ 3,356	$ 112,993

Year Ending September 30,	Discretely Presented Component Unit		
	Principal	Interest	Total Requirements
2026	$ 100,770	$ 3,230	$ 104,000
2027	25,828	172	26,000
Totals	$ 126,598	$ 3,402	$ 130,000

Subscription Liabilities

The City has a subscription IT arrangement to conduct its operations and subscription agreement for technology related to leased police equipment, the terms of which expires 2026 and 2029, respectively. The measurement of the subscription liabilities is based on the present value of subscription payments expected to be paid during the subscription term, such as fixed payments, variable payments that depend on an index or rate, variable payments that are fixed in substance, residual value guarantee payments that are fixed in substance, and any subscription incentives payable.

As of September 30, 2025, the value of the subscription liabilities was $822,536. An incremental borrowing rate of 0.12 percent was used to measure subscription liabilities. The value of the right-to-use subscription assets as of September 30, 2025, was $2,124,096 and had accumulated amortization of $1,330,430.

The future principal and interest payments for subscription liabilities as of September 30, 2025, are as follows:

Year Ending September 30,	Principal	Interest	Total Requirements
2026	$ 269,013	$ 26,940	$ 295,953
2027	176,448	18,953	195,401
2028	184,389	10,745	195,134
2029	192,686	2,168	194,854
Totals	$ 822,536	$ 58,806	$ 881,342

Current Year Bond Issuance

In May 2025, the City issued Combination Tax and Revenue Certificates of Obligation, Series 2025 in the amount of $46,840,000 for the purpose of: (i) design, construction, restoration, and improvement of Historic Nance Farm, including certain road, street, sidewalks, alleyways, curb, drainage, water and sewer, and related improvements related to the restoration that will be generally accessible to the public and a part of the City's park and trail system; (ii) alley reconstruction at various locations throughout the City; (iii) roadway improvement projects on Westmoreland Road, including certain road, street, sidewalks, alleyways, curb, drainage, water and sewer, and related improvements; (iv) certain traffic signal construction and improvements at various locations throughout the city; (v) drainage system improvements at Wolf Creek Estates; (vi) the acquisition of property and construction of an aquatics and recreation center within the City that will be generally accessible to the public and a part of the City's park system; (vii) certain concrete and asphalt improvements at various locations throughout the City; (viii) water and sewer capital projects at various locations throughout the City; and (ix) professional services rendered in connection with the above listed projects. Interest will be payable semiannually on February 15 and August 15 of each year, commencing February, 15 2026. The bonds were issued with a premium of $2,168,889 and an interest rate of 4.125 - 5.0%.

6. Interfund Balances and Transfers

Due to/from Other Funds

The composition of interfund balances outstanding as of September 30, 2025, is as follows:

Receivable Fund	Payable Fund	Amount	Purpose
General	Street Improvement	$ 2,000,000	For capital projects
General	Housing Finance Corporation (Nonmajor Governmental)	1,935	For operating costs
General	CDBG Grant Fund (Nonmajor Governmental)	33,889	For expenditure driven grants
General	Grant Fund (Nonmajor Governmental)	721,715	For expenditure driven grants
General	Public Improvement District (Nonmajor Governmental)	4,813	For operating costs
Totals		$ 2,762,352	

Interfund Transfers

The composition of interfund transfers for the year ended September 30, 2025, is as follows:

Transfer From	Transfer To	Amount	Purpose
General fund	Debt service	$ 246,964	To fund debt service
General fund	Municipal Court (Nonmajor governmental)	50,000	To supplement operations
Debt service	General fund	26,300	To fund debt service
City Jail (Nonmajor governmental)	General fund	15,000	To supplement operations
Municipal Court (Nonmajor governmental)	General fund	10,000	To supplement operations
General fund	Street Improvement	704,689	To fund street improvement projects
Hotel occupancy tax (Nonmajor governmental)	General fund	160,000	Lone star grant
Fire Station Bond Project (Nonmajor governmental)	Public Facilities Capital Improvement (Nonmajor governmental)	212,719	Capital projects
Public utility	General fund	2,763,480	PILOT, franchise fees, energy management grant, and maintenance and equipment
		$ 4,189,152	

7. Deferred Inflows of Resources

Deferred inflows of resources reported in the governmental funds for unavailable revenues are as follows:

	General	Debt Service	Nonmajor Governmental Funds	Total
Property taxes	$ 694,457	$ 231,662	$ -	$ 926,119
Property assessments	-	-	21,952	21,952
Court fines and fees	1,133,886	-	-	1,133,886
Ambulance	1,019,271	-	-	1,019,271
Alarm permits	54,715	-	-	54,715
Other	256,897	-	13,032	269,929
Total	$ 3,159,226	$ 231,662	$ 34,984	$ 3,425,872

8. Employee Retirement System

Texas Municipal Retirement System

Plan Description and Provisions

The City participates as one of over 930 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of the System with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at *www.tmrs.com*.

All eligible employees of the City are required to participate in TMRS.

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest. The retiring Member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the Member contributions and interest.

The City grants monetary credits for service rendered of a theoretical amount equal to two times what would have been contributed by the employee, with interest. Monetary credits, also known as the matching ratio, are 200% of the employee's accumulated contributions and are only payable in the form of an annuity.

Beginning in 2010, the City granted an annually repeating (automatic) basis monetary credit referred to as an updated service credit (USC) which is a theoretical amount that takes into account salary increases or plan improvements. If at any time during their career an employee earns a USC, this amount remains in their account earning interest at 5% until retirement. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer match plus employer-financed monetary credits, such as USC, with interest were used to purchase an annuity. Additionally, initiated in 2010, the City provided on an annually repeating (automatic) basis cost of living adjustments (COLA) for retirees equal to a percentage of the change in the consumer price index (CPI).

A summary of plan provisions for the City are as follows:

Employee deposit rate:	7%
Matching ratio (City to employee):	2 to 1
Years required for vesting:	5
Service retirement eligibility:	20 years at any age, 5 years at age 60 and above
Updated service credit:	100% Repeating
Annuity increase to retirees:	30% of CPI repeating
Supplemental death benefit - employees and retirees	Yes

The employer contribution rate cannot exceed a statutory maximum rate, which is based on a combination of the employee contribution rate and the City matching percentage. There is an optional higher maximum rate that may be applied in certain circumstances if elected by participating cities, or a city may elect to remove the maximum rate.

Employees covered by benefit terms

At the December 31, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	320
Inactive employees entitled to but not yet receiving benefits	348
Active employees	395
Total	1,063

Contributions

Member contribution rates in TMRS are either 5%, 6% or 7% of the Member's total compensation, and the city matching ratios are either 100%, 150% or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The city's contribution rate is based on the liabilities created from the benefit plan options selected by the city and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 7.0% of their annual gross earnings during the fiscal year. The contribution rates for the City were 11.34% and 12.17% in calendar years 2024 and 2025, respectively. The City's contributions to TMRS for pension benefits for the year ended September 30, 2025, were $4,428,634 and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2024, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with 110% of the Public Safety table used for males and 100% of the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale MP-2021 to account for future mortality improvements. Based on the size of the city, rates are multiplied by an additional factor of 100.0%. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2018 to December 31, 2022. The assumptions were adopted in 2023 and first used in the December 31, 2023 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined by best estimate ranges of expected returns for each major asset class. The long-term expected rate of return is determined by weighting the expected return for each major asset class by the respective target asset allocation percentage. The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2025 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.00%	7.10%
Core Fixed Income	6.00%	5.00%
Non-Core Fixed Income	6.00%	6.80%
Other Public and Private Markets	4.00%	7.30%
Real Estate	12.00%	6.70%
Hedge Funds	5.00%	6.40%
Private Equity	13.00%	8.50%
Private Debt	13.00%	8.20%
Infrastructure	6.00%	6.00%
Total	100.00%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that Member and employer contributions will be made at the rates specified in statue. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

	Increase (Decease)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (a)-(b)**
Balance at October 1, 2024	$ 166,112,603	$ 154,540,647	$ 11,571,956
Changes for the year:			
Service cost	5,962,563	-	5,962,563
Interest	11,130,380	-	11,130,380
Change In Assumptions	-	-	-
Difference between expected and actual experience	1,432,193	-	1,432,193
Contributions - employer	-	4,036,744	(4,036,744)
Contributions - employee	-	2,491,817	(2,491,817)
Net investment income	-	16,047,258	(16,047,258)
Benefit payments, including refunds of employee contributions	(8,398,734)	(8,398,734)	-
Administrative expense	-	(102,982)	102,982
Other changes	-	(2,409)	2,409
Net changes	10,126,402	14,071,694	(3,945,292)
Balance at September 30, 2025	$ 176,239,005	$ 168,612,341	$ 7,626,664

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The net pension liability attributable to the governmental activities will be liquidated primarily by the General Fund.

The following presents the Net Pension Liability of the City, calculated using the discount rate of 6.75%, as well as what the City's Net Pension Liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.75%) of 1 percentage higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75)%	Current Single Discount Rate (6.75)%	1% Increase in Discount Rate (7.75)%
Net pension liability/(asset)	$ 31,920,930	$ 7,626,664	$ (12,376,185)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at tmrs.com.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2025, the City recognized a pension expense of $5,476,069.
At September 30, 2025, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 2,208,278	$ -
Changes in actuarial assumptions	-	285,359
Difference between projected and actual investment earnings		1,727,404
Contributions subsequent to the measurement date	3,303,795	-
Total	$ 5,512,073	$ 2,012,763

$3,303,795 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2026	$ 1,218,777
2027	2,432,949
2028	(2,333,059)
2029	(1,123,152)
	$ 195,515

9. Other Post-Employment Benefits

TMRS Supplemental Death Benefits Plan

Plan Description

Texas Municipal Retirement System (TMRS) administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. As the SDBF covers both active and retiree participants with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (*i.e.*, no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*).

Benefits Provided

The SDBF provides group-term life insurance to City employees who are active members in TMRS, including or not including retirees. The City Council opted into this program via an ordinance, and may terminate coverage under, and discontinue participation in, the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

Payments from this fund are similar to group-term life insurance benefits, and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered an other employment benefit and is a fixed amount of $7,500.

Employees Covered by Benefit Terms

At the December 31, 2024, valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	203
Inactive employees entitled to but not yet receiving benefits	63
Active employees	395
Total	661

Contributions

Contributions are made monthly based on the covered payroll of employee members of the participating member city. The contractually required contribution rate is determined annually for each city (currently 0.26% of covered payroll). The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the City. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. As such, contributions are utilized to fund active member deaths on a pay-as-you-go basis; any excess contributions and investment income over payments then become net position available for benefits.

The City's total SBDF contribution rates were 0.26% and 0.32% in calendar years 2025 and 2024, respectively. The retiree portion of the total SBDF contribution rates for the City were 0.10% and 0.11% in calendar years 2025 and 2024, respectively. For the year ended September 30, 2025, the City paid contributions of $102,322, which equaled the required contributions and represents both the current and retired employee contributions.

Actuarial Assumptions

The City's Total OPEB Liability ("TOL") was measured at December 31, 2024 and was determined by an actuarial valuation as of that date using the following actuarial assumptions:

Inflation rate	2.50%
Salary increases	3.60% to 11.85% including inflation
Discount rate	4.08% as of December 31, 2024 (3.77% in prior year)
Retirees' share of benefit-related costs	$0

Mortality rates for retirees and beneficiaries are based on the gender-distinct 2019 Municipal Retirees of Texas mortality tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Mortality rates for disabled annuitants were based on the mortality tables for with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.

The actuarial assumptions used in the December 31, 2024, valuation was based on the results of an actuarial experience study for the period ending December 31, 2022.

Discount Rate

The discount rate used to measure the Total OPEB Liability as of December 31, 2024, was 4.08%, compared to 3.77% as of December 31, 2023. Because the Supplemental Death Benefits Fund is considered an unfunded trust under GASB Statement No. 75, the relevant discount rate for calculating the Total OPEB Liability is based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of the measurement date of December 31, 2024.

Changes in Total OPEB Liability

	Increase (Decrease) Total OPEB Liability
Balance at beginning of year	$ 1,192,092
Changes for the year:	
Service cost	49,836
Interest on total OPEB liability	45,143
Differences between expected and actual experience	(27,188)
Changes in assumptions or other inputs	(61,652)
Benefit payments	(39,157)
Net Changes	(33,018)
Balance at end of year	$ 1,159,074

Sensitivity Analysis

The following presents the Total OPEB Liability of the employer, calculated using the discount rate of 4.08%, as well as what the City's Total OPEB Liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.08%) or 1 percentage point higher (5.08%) than the current rate. Note that the healthcare cost trend rate does not affect the Total OPEB Liability, so sensitivity to the healthcare cost trend rate is not shown.

1% Decrease in Discount Rate 3.08%	Discount Rate 4.08%	1% Increase in Discount Rate 5.08%
$ 1,376,670	$ 1,159,074	$ 987,819

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Activity

For the year ended September 30, 2025, the City recognized OPEB expense of $35,320 relating to the SDBF plan.

As of September 30, 2025, the City reported deferred outflows and inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference in expected and actual economic experience	$ -	$ 54,738
Difference in assumption changes	72,882	296,989
Benefit payments subsequent to the measurement date	70,581	-
Totals	$ 143,463	$ 351,727

The $70,581 reported as deferred outflows of resources related to OPEBs resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending September 30, 2026. Amounts currently reported as deferred outflows and inflows of resources related to OPEBs, excluding contributions subsequent to the measurement date, will be recognized in OPEB expense as follows:

2026	$ (95,698)
2027	(115,530)
2028	(50,029)
2029	(13,689)
2030	(3,899)
	$ (278,845)

Allocation of OPEB Items

The City allocates OPEB items between governmental activities and business-type activities on the basis of employee payroll funding. For the governmental activities, the total OPEB liability is liquidated by the general fund. For the business type activities, the Public Utility fund liquidates the total OPEB liability.

Health Insurance

In addition to providing pension benefits, retired employees are entitled to elect continuation coverage under the City's group accident and health insurance plan. The City revised its health care plan which requires that retirees pay the full cost of their health care as determined by the City's health care provider. The health care provider segregates the retired employees and calculates the healthcare costs for that group. Therefore, the City does not have an implicit cost for retired employees' health care coverage and no liability for postretirement benefits.

10. Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with IRC 457. The plan, available to all permanent City employees, permits them to defer a portion of their salaries until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are solely the property and rights of the participants. Participants' rights under the plan are in an amount equal to the fair value of the deferred account for each participant. Empower Retirement Solutions is the trustee of the plan. All assets and income are held in trust for the exclusive benefit of participants and their beneficiaries; therefore, it is not reported in the financial statements of the City. The City does not match employee contributions to the deferred compensation plan.

11. Commitments and Contingencies

Trinity River Authority of Texas

In November 1983, the City and other area municipalities entered into a contract with the Trinity River Authority (the "Authority") for utilization of the Authority's sewer transmission and treatment facilities. Under the contract, the City is required to pay a portion of the annual cash requirement to operate the facility determined by dividing the actual number of gallons discharged into the system by the City by the total number of gallons discharged by all of the participating cities. Accordingly, the future obligations of the City in connection with the contract cannot be estimated since payment varies in direct relationship to gallons discharged. The City has no ownership interest in the Authority or in conjunction with other participating cities. Total payments made by the City under the contract amounted to $9,685,481 for 2025. The payments are reflected in the accompanying statement of revenues, expenses and changes in net position of the Public Utility Fund.

State and Federal Programs

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. In the opinion of management of the City, disallowed costs, if any, would not be material.

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2025, the City purchased commercial insurance to cover these general liabilities from the Texas Municipal League Risk Pool ("TML"). The City pays an annual premium to TML for such coverage. TML purchases reinsurance and the City does not retain the risk of losses. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage in each of the past three fiscal years.

Other Contingencies

The City is a defendant in several pending lawsuits. City management estimates, based on the advice of legal counsel, that the potential claims against the City, in excess of insurance coverage, would not materially affect the basic financial statements of the City.

12. Joint Ventures

Southwest Regional Communications Center

The City of DeSoto ("the City") entered into an annually renewable Interlocal Cooperation agreement ("the agreement") with the Cities of Cedar Hill and Duncanville (participating cities) on August 10, 1999 and said agreement was amended on December 29, 2011 and December 8, 2015. The cooperative agreement established a Regional Public Safety Dispatch and Alarm Monitoring Facility known as the Southwest Regional Communication Center ("SWRCC"). SWRCC provides police, fire and emergency medical service communications to participating cities. SWRCC's Management Committee is comprised of each of the participating cities' City Manager or their designee. During fiscal year 2016, the cooperative agreement was amended as dated above to direct each participating entity to have all E911 emergency communication fees ("E911 fees") deposited to an account styled as the City of DeSoto SWRCC. The City of DeSoto provides the accounting and budgetary services for the SWRCC. During the fiscal year the City contributed $1,458,393 to the operations of the Center.

The City has a 100% stake in the building owned by the Center, and a one-third share in the equity of the Center's residual equity excluding the building. The City's equity interest in the joint venture as of September 30, 2025, was $1,506,342 and is reported in the government wide statement of net position.

Regional Animal Control Shelter

The City also entered into an Interlocal Cooperation Agreement with the Cities of Cedar Hill and Duncanville on September 3, 1991 to establish a Regional Animal Control Shelter facility ("the facility"). The facility's Management Committee is comprised of each of the participating cities' City Manager or their designee. The City owns a one-third share of the facility and is reflected in capital assets. During the fiscal year 2025, the City contributed $445,215 to the operations of the facility. The City has a one-third share in the equity of the facility, accounted for in the government wide statement of net position. The value of the City’s share in the equity of the facility as of September 30, 2025, is $2,114,878. The financial statements of the facility can be obtained by contacting: City of Cedar Hill Finance Department, P. O. Box 96, Cedar Hill, TX 75106-0096.

13. Tax Abatements and Incentive Agreements

The City’s Economic Development Incentive Program, authorized by Article III, Section 52-a of the Texas Constitution and Texas Local Government Code Chapter 380, enables the City to provide grants or reimbursements from the City’s general fund or economic development corporation. The City will judge each project applying for incentives under the City’s Economic Development Program based on 1) the amount of tax revenues the City expects to be generated by the operation of the commercial enterprise, 2) the extent of economic enhancement and stimulation that the City will derive from location and/or operation of the commercial enterprise’s business, 3) the number and quality of new employment opportunities which the City expects will result, directly and indirectly, from the operation of the commercial enterprise, and 4) the availability and priority of funding and resources the City currently has to participate in an incentive program.

Businesses that have an Economic Development Incentive agreement with the City are eligible to receive a reimbursement of property and/or sales and use taxes paid for the year if they have met the requirements outlined in the agreement by a certain date each year. Requirements generally include the construction or expansion of certain retail, manufacturing, or warehousing facilities within the City limits, and maintenance of employment levels on an ongoing basis. For the fiscal year ended September 30, 2025, the City rebated $414,044 in sales tax and $2,106,965 in property taxes, and made incentive payments of $108,517.

The DeSoto Development Corporation made incentive payments of $606,993 during the fiscal year ended September 30, 2025 to certain businesses in the City.

REQUIRED
SUPPLEMENTARY INFORMATION

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CITY OF DESOTO, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GENERAL FUND
BUDGET AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
REVENUES				
Property taxes	$ 40,068,900	$ 40,068,900	$ 37,245,330	$ (2,823,570)
Sales taxes	11,730,000	11,730,000	11,723,283	(6,717)
Franchise fees and other	3,937,290	3,937,290	2,961,458	(975,832)
Fines and forfeitures	1,171,000	1,171,000	1,469,402	298,402
Licenses and permits	1,350,000	1,350,000	1,149,771	(200,229)
Intergovernmental	399,800	392,800	1,132,837	740,037
Charges for services	1,932,000	1,932,000	3,532,628	1,600,628
Investment earnings	902,000	902,000	2,080,525	1,178,525
Recreation services	478,000	478,000	1,014,565	536,565
Miscellaneous	373,500	379,300	151,386	(227,914)
Total revenues	62,342,490	62,341,290	62,461,185	119,895
EXPENDITURES				
Current:				
General government	6,070,533	6,070,533	5,517,196	553,337
Public safety:				
Police	17,510,343	17,510,343	17,034,450	475,893
Fire	12,244,165	12,244,165	12,633,879	(389,714)
Development services	8,317,812	8,317,812	7,464,350	853,462
Financial services	2,072,227	2,072,227	1,813,430	258,797
Municipal court	950,091	950,091	904,598	45,493
Information technology	2,835,551	2,835,551	2,130,776	704,775
Human resources	1,204,302	1,204,302	1,220,665	(16,363)
Parks and recreation	5,700,284	5,700,284	6,248,531	(548,247)
Library services	1,679,044	1,679,044	1,378,378	300,666
Debt service:				
Principal	-	-	584,993	(584,993)
Interest and other	-	-	49,731	(49,731)
Capital outlay	115,200	115,200	3,566,952	(3,451,752)
Total expenditures	58,699,552	58,699,552	60,547,929	(1,848,377)
Excess (deficiency) of revenues over expenditures	3,642,938	3,641,738	1,913,256	(1,728,482)
OTHER FINANCING SOURCES (USES)				
Leases issued	-	-	574,538	574,538
Subscriptions issued	-	-	832,204	832,204
Proceeds from sale of capital assets	-	-	61,900	61,900
Insurance recoveries	75,000	75,000	310,590	235,590
Transfers in	2,954,271	2,954,271	2,974,780	20,509
Transfers out	(2,804,465)	(4,616,139)	(1,001,653)	3,614,486
Total other financing sources (uses)	224,806	(1,586,868)	3,752,359	3,870,585
NET CHANGE IN FUND BALANCE	3,867,744	2,054,870	5,665,615	3,610,745
FUND BALANCE - BEGINNING	49,035,893	49,035,893	49,035,893	-
FUND BALANCE - ENDING	$ 52,903,637	$ 51,090,763	$ 54,701,508	$ 3,610,745

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Budgetary Information

The City follows these procedures in establishing its annual budget:

1) Prior to August 1, the City Manager submits to the City Council a proposed budget for the fiscal year beginning on the following October 1.

2) Public hearing is conducted to obtain taxpayer comments.

3) The budget is legally enacted by the City Council through passage of an ordinance prior to October 1.

4) Any revisions that alter the total budgeted expenditures of the Enterprise or Governmental Funds must be approved by the City Council.

5) Formal budgetary integration is employed as a management control device during the year for the General Fund.

6) Unused appropriations lapse at fiscal year-end and may not be carried over to the following fiscal year.

7) The City Manager is authorized to adjust budget amounts; however, such revisions may not result in total budgeted expenditures (appropriations) in excess of budgeted revenues at the fund level without the approval of City Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the Fund level.

8) During the year, there was no need for any significant amendments to increase the original estimated revenues. However, there was a need to make an amendment to original budgeted appropriations for the capital outlay function to accommodate encumbered construction funds.

9) Budgetary schedules are presented for all funds with legally adopted budgets. The ARPA Grant Fund, Grant Fund, Homeland Security Grant Fund, Public Improvement District Fund, and TIRZ Fund do not have legally adopted budgets and accordingly budget information is not presented for these funds.

Excess of Expenditures over Appropriations

Expenditures exceeded appropriations in the following funds:
General Fund - $1,848,377
Debt Service Fund - $2,986,180
Police Seized Assets Fund - $505,842
Parks Capital Improvement Fund - $654

These overages were funded with excess revenues or existing fund balance.

CITY OF DESOTO, TEXAS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM

Plan Year	2024	2023	2022	2021
Total pension liability				
Service cost	$ 5,962,563	$ 5,535,351	$ 4,668,673	$ 4,439,329
Interest on total pension liability	11,130,380	10,415,137	9,771,956	9,218,083
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	1,432,193	2,610,001	947,649	373,308
Change of assumptions	-	(693,017)	-	-
Benefit payments/refunds of contributions	(8,398,734)	(6,571,045)	(6,014,972)	(5,864,749)
Net change in total pension liability	10,126,402	11,296,427	9,373,306	8,165,971
Total pension liability, beginning	166,112,603	154,816,176	145,442,870	137,276,899
Total pension liability, ending (a)	$ 176,239,005	$ 166,112,603	$ 154,816,176	$ 145,442,870
Plan fiduciary net position				
Contributions - employer	$ 4,036,744	$ 3,702,832	$ 3,219,386	$ 3,038,486
Contributions - employee	2,491,817	2,387,397	2,024,827	1,922,977
Net investment income	16,047,258	16,085,659	(11,004,694)	17,502,900
Benefit payments/refunds of contributions	(8,398,734)	(6,571,045)	(6,014,972)	(5,864,749)
Administrative expenses	(102,982)	(102,375)	(95,253)	(80,995)
Other	(2,409)	(715)	113,665	554
Net change in fiduciary net position	14,071,694	15,501,753	(11,757,041)	16,519,173
Fiduciary net position, beginning	154,540,647	139,038,894	150,795,935	134,276,762
Fiduciary net position, ending (b)	$ 168,612,341	$ 154,540,647	$ 139,038,894	$ 150,795,935
Net pension liability/(asset) = (a)-(b)	7,626,664	11,571,956	15,777,282	(5,353,065)
Fiduciary net position as a percentage of total pension liability	95.67%	93.03%	89.81%	103.68%
Covered payroll	35,597,391	34,105,675	28,926,345	27,424,737
Net pension liability/(asset) as a percentage of covered payroll	21.42%	33.93%	54.54%	(19.52)%

Other Information:
For the 2015 valuation, inflation used was 2.5%, investment rate of return and discount rate used was 6.75% and actuarial studies were updated through December 31, 2014.

For the 2019 valuation, actuarial studies were updated through December 31, 2018.

For the 2023 valuation, actuarial studies were updated through December 31, 2022.

2020	2019	2018	2017	2016	2015
$ 4,175,333	$ 3,938,051	$ 3,696,781	$ 3,635,681	$ 3,465,471	$ 3,177,007
8,650,618	8,150,857	7,824,071	7,474,629	7,110,831	6,960,684
-	-	-	-	-	
1,211,242	555,198	(987,632)	(366,786)	(292,389)	(1,294,146)
-	346,322	-	-	-	1,862,527
(5,659,866)	(5,750,524)	(5,874,410)	(5,327,389)	(4,624,192)	(5,261,823)
8,377,327	7,239,904	4,658,810	5,416,135	5,659,721	5,444,249
128,899,572	121,659,668	117,000,858	111,584,723	105,925,002	100,480,753
$ 137,276,899	$ 128,899,572	$ 121,659,668	$ 117,000,858	$ 111,584,723	$ 105,925,002
$ 2,804,035	$ 2,632,593	$ 2,542,237	$ 2,483,717	$ 2,198,752	$ 2,208,445
1,794,385	1,686,016	1,584,658	1,553,710	1,482,781	1,420,874
9,549,774	17,052,625	(3,462,817)	14,239,492	6,568,321	145,745
(5,659,866)	(5,750,524)	(5,874,655)	(5,327,389)	(4,624,192)	(5,261,823)
(61,815)	(96,380)	(66,931)	(73,795)	(74,183)	(88,773)
(2,412)	(2,895)	(3,498)	(3,740)	(3,997)	(4,385)
8,424,101	15,521,435	(5,281,006)	12,871,995	5,547,482	(1,579,917)
125,852,661	110,331,226	115,612,232	102,740,237	97,192,755	98,772,672
$ 134,276,762	$ 125,852,661	$ 110,331,226	$ 115,612,232	$ 102,740,237	$ 97,192,755
3,000,137	3,046,911	11,328,442	1,388,626	8,844,486	8,732,247
97.81%	97.64%	90.69%	98.81%	92.07%	91.76%
25,612,477	24,085,941	22,637,970	22,195,857	21,182,583	20,248,609
11.71%	11.71%	50.04%	6.26%	41.75%	43.13%

CITY OF DESOTO, TEXAS

SCHEDULE OF CITY CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM

Fiscal Year	2025	2024	2023	2022
Actuarially determined contribution	$ 4,428,634	$ 3,968,382	$ 3,528,626	$ 3,233,955
Contributions in relation to the actuarially determined contribution	4,428,634	3,968,382	3,528,626	3,233,955
Contribution deficiency (excess)	-	-	-	-
Covered payroll	$ 37,066,263	$ 35,433,282	$ 32,360,326	$ 29,108,321
Contributions as a percentage of covered payroll	11.95%	11.20%	10.90%	11.10%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

Actuarially determined contribution rates are calculated as of December 31st and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Payroll, Closed
Remaining amortization period	21 years (longest amortization ladder)
Asset valuation method	10 year smoothed market; 12% soft corridor
Inflation	2.50%
Salary increases	3.60% to 11.85% including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
Other Information:	There were no benefit changes during the year.

2021	2020	2019	2018	2017	2016
$ 2,892,746	$ 2,656,236	$ 2,542,237	$ 2,547,550	$ 2,402,016	$ 2,278,194
2,892,746	2,656,236	2,542,237	2,547,550	2,402,016	2,278,194
-	-	-	-	-	-
$ 26,230,874	$ 24,362,584	$ 23,845,895	$ 22,704,936	$ 21,840,500	$ 21,674,821
11.00%	10.90%	10.70%	11.20%	11.00%	10.50%

CITY OF DESOTO, TEXAS

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
AND RELATED RATIOS

Plan Year	2024	2023	2022	2021
Total OPEB liability				
Service cost	$ 49,836	$ 47,748	$ 80,993	$ 76,919
Interest on total OPEB liability	45,143	44,252	29,909	30,616
Difference between expected and actual experience	(27,188)	(9,392)	(33,418)	(35,278)
Changes in assumptions	(61,652)	61,191	(557,333)	51,423
Benefit payments	(39,157)	(40,927)	(31,819)	(30,218)
Net change in total OPEB liability	(33,018)	102,872	(511,668)	93,462
Total OPEB liability, beginning	1,192,092	1,089,220	1,600,888	1,507,426
Total OPEB liability, ending (a)	$ 1,159,074	$ 1,192,092	$ 1,089,220	$ 1,600,888
Covered-employee payroll	$ 35,597,391	$ 34,105,675	$ 28,926,345	$ 27,424,737
Total OPEB liability as a percentage of covered-employee payroll	3.26%	3.50%	3.77%	5.84%

Notes to Schedule:
Changes of benefit terms: None

Changes of assumptions:

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

2017	3.31%
2018	3.71%
2019	2.75%
2020	2.00%
2021	1.84%
2022	4.05%
2023	3.77%
2024	4.08%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for only those years for which information is available. Information has been determined as of the City's measurement date (December 31).

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75 to pay related benefits.

CITY OF DESOTO, TEXAS

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
AND RELATED RATIOS

	2020	2019	2018
$	64,039	$ 50,580	$ 49,804
	34,779	36,682	33,400
	(26,082)	(11,795)	(23,044)
	207,152	203,697	(72,685)
	(10,246)	(9,634)	(6,791)
	269,642	269,530	(19,316)
	1,237,784	968,254	987,570
$	1,507,426	$ 1,237,784	$ 968,254
$	25,612,477	$ 24,085,941	$ 22,637,970
	5.89%	5.14%	4.28%

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NONMAJOR GOVERNMENTAL FUNDS

The Special Revenue Funds are used to account for specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Regional Jail – To account for restricted revenues and expenditures of the regional jail operation utilized by the cities of DeSoto, Lancaster, Cedar Hill, Duncanville, and Glenn Heights. The facilities house arrested persons for a maximum of 72 hours.

Municipal Court Fund – To account for municipal court fees collected through the court to provide for various municipal court security features or to enhance existing operations through technology.

Police-Seized Assets Fund – Accounts for the revenue and expenditures related to the award of monies or property by the courts or federal government to the police department. The funds are expended for specified police department purposes.

Police Grants Fund - To account for grant funding received to support police operations.

Homeland Security Grant Fund – To account for grant funding received for homeland security purposes.

Hotel Occupancy Tax Fund – To account for tax revenue collected as a percentage of gross receipts for all hotel and motel temporary room rentals within the City. The funds are expended to promote tourism and culture in the City.

Health Facilities Development Corporation – Blended component unit whose purpose is to assist with the development of health care facilities for the maintenance of the public health in the City.

Housing Finance Corporation – Blended component unit whose purpose is to assist with the financing of residential developments in the City.

Industrial Development Authority, Inc. – Blended component unit whose purpose is to promote and develop commercial, industrial, manufacturing and medical research enterprises in the City.

Community Development Block Grant – To account for federal awards from the U.S. Department of Housing and Urban Development for community development.

Public Improvement District Fund – To account for the levy of special assessments and expenditures for improvements within the Danieldale Homestead PID.

Grant Fund – accounts for grant funds awarded to the City and the related expenditures.

Capital Projects Funds are used to account for the acquisition and construction of major capital facilities.

Parks Capital Improvement Fund – To account for the purchase and improvement of the City's parks. Financing is provided by general obligation bonds and contributions from developers.

Fire Station Bond Project Fund – These funds account for the constructing, improving and equipping fire-fighting facilities and equipping park and recreation facilities within the City. General obligation bonds provide the financing.

Public Facilities Capital Improvement Fund – This fund accounts account for the construction and improvement of various City facilities. Financing is provided by general obligation bonds, certificates of obligation and various contributions.

City Improvement Fund – These funds will assist with future economic growth and improvement projects in the City.

TIRZ Fund – This fund is used to account for resources used to finance costs associated with the Tax Increment Reinvestment Zone created to promote growth of the City.

CITY OF DESOTO, TEXAS

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2025

	Special Revenue		
	Regional Jail	Municipal Court	Police Seized Assets
ASSETS			
Cash and investments	$ 653,603	$ 365,406	$ 1,397,236
Receivables, net:			
Taxes	-	-	-
Accounts and other	-	-	88,434
Due from other governments	31,250	-	248,547
Prepaid items	-	-	3,003
Total assets	684,853	365,406	1,737,220
LIABILITIES			
Accounts payable	7,418	192	40,866
Accrued liabilities	63,399	111	-
Arbitrage liability	-	-	-
Due to other funds	-	-	-
Unearned revenue	-	-	6,025
Total liabilities	70,817	303	46,891
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	-	-	-
Total deferred inflows of resources	-	-	-
FUND BALANCES			
Nonspendable for:			
Prepaid items	-	-	3,003
Restricted for:			
Public safety	614,036	365,103	1,687,326
Economic development	-	-	-
Capital projects	-	-	-
Committed for:			
Public health	-	-	-
Development activities	-	-	-
Assigned for:			
Capital projects	-	-	-
Total fund balances	614,036	365,103	1,690,329
Total liabilities and fund balances	$ 684,853	$ 365,406	$ 1,737,220

Special Revenue							
Police Grants	Homeland Security Grant	Hotel Occupancy Tax	Health Facilities Development Corporation	Housing Finance Corporation	Industrial Development Authority	Community Development Block Grant
$ 40,458	$ 73,741	$ 8,415,700	$ 21,486	$ 42,131	$ 34,129	$ 27,285
-	-	154,455	-	-	-	-
-	-	14,876	-	-	-	97,184
-	-	-	-	-	-	-
-	-	-	-	-	-	-
40,458	73,741	8,585,031	21,486	42,131	34,129	124,469
-	-	162,389	-	-	-	2,000
111	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	1,935	-	33,889
-	-	100	-	-	-	-
111	-	162,489	-	1,935	-	35,889
13,032	-	-	-	-	-	-
13,032	-	-	-	-	-	-
-	-	-	-	-	-	-
27,315	-	-	-	-	-	-
-	-	8,422,542	-	-	-	-
-	-	-	-	-	-	-
-	73,741	-	21,486	-	-	-
-	-	-	-	40,196	34,129	88,580
-	-	-	-	-	-	-
27,315	73,741	8,422,542	21,486	40,196	34,129	88,580
$ 40,458	$ 73,741	$ 8,585,031	$ 21,486	$ 42,131	$ 34,129	$ 124,469

CITY OF DESOTO, TEXAS

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2025

	Special Revenue		Capital Projects
	Public Improvement District	Grant Fund	Parks Capital Improvement
ASSETS			
Cash and investments	$ 34,161	$ 1,651,570	$ 27
Receivables, net:			
Taxes	-	-	-
Accounts and other	162,629	-	-
Due from other governments	-	-	-
Prepaid items	-	-	-
Total assets	196,790	1,651,570	27
LIABILITIES			
Accounts payable	-	7,089	-
Accrued liabilities	-	-	-
Arbitrage liability	-	-	-
Due to other funds	4,813	721,715	-
Unearned revenue	-	-	-
Total liabilities	4,813	728,804	-
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	21,952	-	-
Total deferred inflows of resources	21,952	-	-
FUND BALANCES			
Nonspendable for:			
Prepaid items	-	-	-
Restricted for:			
Public safety	-	922,766	-
Economic development	-	-	-
Capital projects	170,025	-	27
Committed for:			
Public health	-	-	-
Development activities	-	-	-
Assigned for:			
Capital projects	-	-	-
Total fund balances	170,025	922,766	27
Total liabilities and fund balances	$ 196,790	$ 1,651,570	$ 27

Capital Projects				
Public Facilities Capital Improvement	Fire Station Bond Project	City Improvement	TIRZ	Total Nonmajor Governmental Funds
$ 4,369,920	$ 121,069	$ 4,514,685	$ 244,573	$ 22,007,180
-	-	-	-	154,455
29,938	-	-	-	393,061
-	-	-	-	279,797
-	-	-	-	3,003
4,399,858	121,069	4,514,685	244,573	22,837,496
-	-	-	-	219,954
-	-	-	-	63,621
173,535	-	-	-	173,535
-	-	-	-	762,352
-	-	-	-	6,125
173,535	-	-	-	1,225,587
-	-	-	-	34,984
-	-	-	-	34,984
-	-	-	-	3,003
-	-	-	-	3,616,546
-	-	-	-	8,422,542
4,226,323	121,069	-	244,573	4,762,017
-	-	-	-	95,227
-	-	-	-	162,905
-	-	4,514,685	-	4,514,685
4,226,323	121,069	4,514,685	244,573	21,576,925
$ 4,399,858	$ 121,069	$ 4,514,685	$ 244,573	$ 22,837,496

CITY OF DESOTO, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Special Revenue			
	Regional Jail	Municipal Court	Police Seized Assets	Police Grants
REVENUES				
Property taxes	$ -	$ -	$ -	$ -
Hotel occupancy tax	-	-	-	-
Property assessments	-	-	-	-
Fines and forfeitures	-	73,338	-	-
Intergovernmental	1,600,000	-	631,247	50,909
Charges for services	29,342	-	-	-
Investment earnings	30,771	14,130	59,008	4,711
Total revenues	1,660,113	87,468	690,255	55,620
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety:				
Police	1,685,802	-	347,166	87,190
Development services	-	-	-	-
Municipal court	-	77,146	-	-
Parks and recreation	-	-	-	-
Debt service:				
Interest and other	-	-	-	-
Bond issuance costs	-	-	-	-
Capital outlay	-	-	304,876	-
Total expenditures	1,685,802	77,146	652,042	87,190
Excess (deficiency) of revenues over expenditures	(25,689)	10,322	38,213	(31,570)
OTHER FINANCING SOURCES (USES)				
Issuance of debt	-	-	-	-
Premium on issuance of debt	-	-	-	-
Transfers in	-	50,000	-	-
Transfers out	(15,000)	(10,000)	-	-
Total other financing sources (uses)	(15,000)	40,000	-	-
NET CHANGE IN FUND BALANCES	(40,689)	50,322	38,213	(31,570)
FUND BALANCES - BEGINNING	654,725	314,781	1,652,116	58,885
FUND BALANCES - ENDING	$ 614,036	$ 365,103	$ 1,690,329	$ 27,315

Special Revenue					
Homeland Security Grant	Hotel Occupancy Tax	Health Facilities Development Corporation	Housing Finance Corporation	Industrial Development Authority	Community Development Block Grant
$ -	$ -	$ -	$ -	$ -	$ -
-	1,424,966	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	252,462
-	-	-	-	-	-
2,612	469,580	696	-	1,137	644
2,612	1,894,546	696	-	1,137	253,106
-	614,167	-	19,999	-	-
-	-	-	-	-	-
-	-	-	-	-	222,004
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	9,300	-	-	-	-
-	-	-	-	-	30,457
-	623,467	-	19,999	-	252,461
2,612	1,271,079	696	(19,999)	1,137	645
-	964,779	-	-	-	-
-	44,673	-	-	-	-
-	-	-	-	-	-
-	(160,000)	-	-	-	-
-	849,452	-	-	-	-
2,612	2,120,531	696	(19,999)	1,137	645
71,129	6,302,011	20,790	60,195	32,992	87,935
$ 73,741	$ 8,422,542	$ 21,486	$ 40,196	$ 34,129	$ 88,580

CITY OF DESOTO, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Special Revenue		Capital Projects	
	Public Improvement District	Grant Fund	Parks Capital Improvement	Public Facilities Capital Improvement
REVENUES				
Property taxes	$ -	$ -	$ -	$ -
Hotel occupancy tax	-	-	-	-
Property assessments	395,262	-	-	-
Fines and forfeitures	-	-	-	-
Intergovernmental	-	666,935	-	-
Charges for services	-	-	-	-
Investment earnings	-	36,034	-	304,842
Total revenues	395,262	702,969	-	304,842
EXPENDITURES				
Current:				
General government	407,363	-	-	-
Public safety:				
Police	-	120,138	-	-
Development services	-	-	-	-
Municipal court	-	-	-	-
Parks and recreation	-	-	654	-
Debt service:				
Interest and other	-	-	-	173,535
Bond issuance costs	-	-	-	4,650
Capital outlay	-	-	-	4,954,538
Total expenditures	407,363	120,138	654	5,132,723
Excess (deficiency) of revenues over expenditures	(12,101)	582,831	(654)	(4,827,881)
OTHER FINANCING SOURCES (USES)				
Issuance of debt	-	-	-	482,389
Premium on issuance of debt	-	-	-	22,337
Transfers in	-	-	-	212,719
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	717,445
NET CHANGE IN FUND BALANCES	(12,101)	582,831	(654)	(4,110,436)
FUND BALANCES - BEGINNING	182,126	339,935	681	8,336,759
FUND BALANCES - ENDING	$ 170,025	$ 922,766	$ 27	$ 4,226,323

Capital Projects			
Fire Station Bond Project	City Improvement	TIRZ	Total
$ -	$ -	$ 118,999	$ 118,999
-	-	-	1,424,966
-	-	-	395,262
-	-	-	73,338
-	-	-	3,201,553
-	-	-	29,342
45,143	189,967	16,209	1,175,484
45,143	189,967	135,208	6,418,944
-	-	-	1,041,529
-	-	-	2,240,296
-	-	-	222,004
-	-	-	77,146
-	-	-	654
-	-	-	173,535
-	-	-	13,950
-	-	-	5,289,871
-	-	-	9,058,985
45,143	189,967	135,208	(2,640,041)
-	-	-	1,447,168
-	-	-	67,010
-	-	-	262,719
(212,719)	-	-	(397,719)
(212,719)	-	-	1,379,178
(167,576)	189,967	135,208	(1,260,863)
288,645	4,324,718	109,365	22,837,788
$ 121,069	$ 4,514,685	$ 244,573	$ 21,576,925

CITY OF DESOTO, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
DEBT SERVICE FUND
BUDGET AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
REVENUES				
Property taxes	$ 14,152,500	$ 14,152,500	$ 13,763,255	$ (389,245)
Intergovernmental	358,407	358,407	1,070,250	711,843
Investment earnings	100,000	100,000	332,208	232,208
Miscellaneous	-	-	28	28
Total revenue	14,610,907	14,610,907	15,165,741	554,834
EXPENDITURES				
Debt service:				
Principal	9,508,376	9,508,376	11,003,977	(1,495,601)
Interest and other	2,706,838	2,706,838	4,197,417	(1,490,579)
Total expenditures	12,215,214	12,215,214	15,201,394	(2,986,180)
Excess (deficiency) of revenues over (under) expenditures	2,395,693	2,395,693	(35,653)	(2,431,346)
OTHER FINANCING SOURCES (USES)				
Transfers in	1,246,964	1,246,964	246,964	(1,000,000)
Transfers out	(26,300)	(26,300)	(26,300)	-
Total other financing sources (uses)	1,246,964	1,246,964	220,664	(1,000,000)
NET CHANGE IN FUND BALANCE	3,642,657	3,642,657	185,011	(3,431,346)
FUND BALANCE - BEGINNING	5,211,784	5,211,784	5,211,784	-
FUND BALANCE - ENDING	$ 8,854,441	$ 8,854,441	$ 5,396,795	$ (3,431,346)

CITY OF DESOTO, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
REGIONAL JAIL FUND
BUDGET AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
REVENUES				
Intergovernmental	$ 1,600,000	$ 1,600,000	$ 1,600,000	$ -
Charges for services	28,800	28,800	29,342	542
Investment earnings	7,500	7,500	30,771	23,271
Miscellaneous	600	600	-	(600)
Total revenues	1,636,900	1,636,900	1,660,113	23,213
EXPENDITURES				
Current:				
Public safety:				
Police	1,830,753	1,830,753	1,685,802	144,951
Total expenditures	1,830,753	1,830,753	1,685,802	144,951
Excess (deficiency) of revenues over (under) expenditures	(193,853)	(193,853)	(25,689)	168,164
OTHER FINANCING SOURCES (USES)				
Transfers out	(15,000)	(15,000)	(15,000)	-
Total other financing sources (uses)	(15,000)	(15,000)	(15,000)	-
NET CHANGE IN FUND BALANCE	(208,853)	(208,853)	(40,689)	168,164
FUND BALANCE - BEGINNING	654,725	654,725	654,725	-
FUND BALANCE - ENDING	$ 445,872	$ 445,872	$ 614,036	$ 168,164

CITY OF DESOTO, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
MUNICIPAL COURT FUND
BUDGET AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
REVENUES				
Fines and forfeitures	$ 40,500	$ 40,500	$ 73,338	$ 32,838
Investment earnings	3,000	3,000	14,130	11,130
Total revenues	43,500	43,500	87,468	43,968
EXPENDITURES				
Current:				
Public safety-police:				
Municipal court	115,638	115,638	77,146	38,492
Total expenditures	115,638	115,638	77,146	38,492
Excess (deficiency) of revenues over (under) expenditures	(72,138)	(72,138)	10,322	82,460
OTHER FINANCING SOURCES (USES)				
Transfers in	50,000	50,000	50,000	-
Transfers out	(10,000)	(10,000)	(10,000)	-
Total other financing sources (uses)	40,000	40,000	40,000	-
NET CHANGE IN FUND BALANCE	(32,138)	(32,138)	50,322	82,460
FUND BALANCE - BEGINNING	314,781	314,781	314,781	-
FUND BALANCE - ENDING	$ 282,643	$ 282,643	$ 365,103	$ 82,460

CITY OF DESOTO, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
POLICE SEIZED ASSETS FUND
BUDGET AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
REVENUES				
Intergovernmental	$ 59,000	$ 59,000	$ 631,247	$ 572,247
Investment earnings	10,050	10,050	59,008	48,958
Total revenues	69,050	69,050	690,255	621,205
EXPENDITURES				
Current:				
Public safety:				
Police	91,200	146,200	347,166	(200,966)
Capital outlay	-	-	304,876	(304,876)
Total expenditures	91,200	146,200	652,042	(505,842)
NET CHANGE IN FUND BALANCE	(22,150)	(77,150)	38,213	(115,363)
FUND BALANCE - BEGINNING	1,652,116	1,652,116	1,652,116	-
FUND BALANCE - ENDING	$ 1,629,966	$ 1,574,966	$ 1,690,329	$ 115,363

CITY OF DESOTO, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
POLICE GRANTS FUND
BUDGET AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
REVENUES				
Intergovernmental	$ 89,268	$ 99,988	$ 50,909	$ (49,079)
Investment earnings	-	-	4,711	4,711
Total revenues	89,268	99,988	55,620	(49,079)
EXPENDITURES				
Current:				
Public safety:				
Police	113,634	113,634	87,190	26,444
Total expenditures	113,634	113,634	87,190	26,444
NET CHANGE IN FUND BALANCE	(24,366)	(13,646)	(31,570)	(75,523)
FUND BALANCE - BEGINNING	58,885	58,885	58,885	-
FUND BALANCE - ENDING	$ 34,519	$ 45,239	$ 27,315	$ (75,523)

CITY OF DESOTO, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
HEALTH FACILITIES DEVELOPMENT CORPORATION FUND
BUDGET AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
REVENUES				
Investment earnings	$ -	$ -	$ 696	$ 696
Total revenues	-	-	696	696
NET CHANGE IN FUND BALANCE	-	-	696	696
FUND BALANCE - BEGINNING	20,790	20,790	20,790	-
FUND BALANCE - ENDING	$ 20,790	$ 20,790	$ 21,486	$ 696

CITY OF DESOTO, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
HOTEL OCCUPANCY TAX FUND
BUDGET AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
REVENUES				
Hotel occupancy tax	$ 1,300,000	$ 1,300,000	$ 1,424,966	$ 124,966
Investment earnings	100,000	100,000	469,580	369,580
Total revenues	1,400,000	1,400,000	1,894,546	494,546
EXPENDITURES				
Current:				
General government	988,300	988,300	614,167	374,133
Debt service:				
Bond issuance costs	-	-	9,300	(9,300)
Capital outlay	3,000,000	4,000,000	-	4,000,000
Total expenditures	3,988,300	4,988,300	623,467	4,364,833
Excess (deficiency) of revenues over (under) expenditures	(2,588,300)	(3,588,300)	1,271,079	4,859,379
OTHER FINANCING SOURCES (USES)				
Issuance of debt	-	-	964,779	964,779
Premium on issuance of debt	-	-	44,673	44,673
Transfers out	-	-	(160,000)	(160,000)
Total other financing sources (uses)	-	-	849,452	849,452
NET CHANGE IN FUND BALANCE	(2,588,300)	(3,588,300)	2,120,531	5,708,831
FUND BALANCE - BEGINNING	6,302,011	6,302,011	6,302,011	-
FUND BALANCE - ENDING	$ 3,713,711	$ 2,713,711	$ 8,422,542	$ 5,708,831

CITY OF DESOTO, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
HOUSING FINANCE CORPORATION FUND
BUDGET AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
EXPENDITURES				
Current:				
General government	20,000	20,000	19,999	1
Total expenditures	20,000	20,000	19,999	1
NET CHANGE IN FUND BALANCE	(20,000)	(20,000)	(19,999)	(1)
FUND BALANCE - BEGINNING	60,195	60,195	60,195	-
FUND BALANCE - ENDING	$ 40,195	$ 40,195	$ 40,196	$ (1)

CITY OF DESOTO, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
INDUSTRIAL DEVELOPMENT AUTHORITY FUND
BUDGET AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
REVENUES				
Investment earnings	$ -	$ -	$ 1,137	$ 1,137
Total revenues	-	-	1,137	1,137
NET CHANGE IN FUND BALANCE	-	-	1,137	1,137
FUND BALANCE - BEGINNING	32,992	32,992	32,992	-
FUND BALANCE - ENDING	$ 32,992	$ 32,992	$ 34,129	$ 1,137

CITY OF DESOTO, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
COMMUNITY DEVELOPMENT BLOCK GRANT FUND
BUDGET AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
REVENUES				
Intergovernmental	$ 273,973	$ 273,973	$ 252,462	$ (21,511)
Investment earnings	-	-	644	644
Total revenues	273,973	273,973	253,106	(20,867)
EXPENDITURES				
Current:				
Development services	273,973	273,973	222,004	51,969
Capital outlay	-	-	30,457	(30,457)
Total expenditures	273,973	273,973	252,461	21,512
NET CHANGE IN FUND BALANCE	-	-	645	645
FUND BALANCE - BEGINNING	87,935	87,935	87,935	-
FUND BALANCE - ENDING	$ 87,935	$ 87,935	$ 88,580	$ 645

CITY OF DESOTO, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
PARKS IMPROVEMENT FUND
BUDGET AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
REVENUES				
Intergovernmental	$ -	$ -	$ 2,000,000	$ 2,000,000
Investment earnings	-	-	1,188,825	1,188,825
Miscellaneous	-	-	-	-
Total revenues	-	-	3,188,825	3,188,825
EXPENDITURES				
Debt service:				
Bond issuance costs	-	-	189,598	(189,598)
Capital outlay	20,000,000	48,048,884	32,889,190	15,159,694
Total expenditures	20,000,000	48,048,884	33,078,788	14,970,096
Excess (deficiency) of revenues over (under) expenditures	(20,000,000)	(48,048,884)	(29,889,963)	18,158,921
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of debt	27,000,000	27,000,000	19,801,215	(7,198,785)
Premium on issuance of debt	-	-	891,502	891,502
Total other financing sources (uses)	27,000,000	27,000,000	20,692,717	(6,307,283)
NET CHANGE IN FUND BALANCE	7,000,000	(21,048,884)	(9,197,246)	11,851,638
FUND BALANCE - BEGINNING	25,813,573	25,813,573	25,813,573	-
FUND BALANCE - ENDING	$ 32,813,573	$ 4,764,689	$ 16,616,327	$ 11,851,638

CITY OF DESOTO, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
STREET IMPROVEMENT FUND
BUDGET AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
REVENUES				
Investment earnings	$ 70,000	$ 70,000	$ 2,076,169	$ 2,006,169
Impact fees	200,000	200,000	587,325	387,325
Miscellaneous	150,000	150,000	-	(150,000)
Total revenues	420,000	420,000	2,663,494	2,243,494
EXPENDITURES				
Debt service:				
Interest and other	-	-	238,611	(238,611)
Bond issuance costs	-	-	131,592	(131,592)
Capital outlay	9,260,000	47,840,333	1,693,830	46,146,503
Total expenditures	9,260,000	47,840,333	2,064,033	45,776,300
Excess (deficiency) of revenues over (under) expenditures	(8,840,000)	(47,420,333)	599,461	48,019,794
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of debbt	14,560,000	14,560,000	13,651,617	(908,383)
Premium on issuance of debt	-	-	632,127	632,127
Transfers in	704,689	704,689	704,689	-
Total other financing sources (uses)	15,264,689	15,264,689	14,988,433	(276,256)
NET CHANGE IN FUND BALANCE	6,424,689	(32,155,644)	15,587,894	47,743,538
FUND BALANCE - BEGINNING	34,769,180	34,769,180	34,769,180	-
FUND BALANCE - ENDING	$ 41,193,869	$ 2,613,536	$ 50,357,074	$ 47,743,538

CITY OF DESOTO, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
PUBLIC FACILITIES CAPITAL IMPROVEMENT FUND
BUDGET AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
REVENUES				
Investment earnings	$ 75,000	$ 75,000	$ 304,842	$ 229,842
Total revenues	75,000	75,000	304,842	229,842
EXPENDITURES				
Debt service:				
Interest and other	-	-	173,535	(173,535)
Bond issuance costs	-	-	4,650	(4,650)
Capital outlay	3,500,000	5,263,354	4,954,538	308,816
Total expenditures	3,500,000	5,263,354	5,132,723	130,631
Excess (deficiency) of revenues over (under) expenditures	(3,425,000)	(5,188,354)	(4,827,881)	99,211
OTHER FINANCING SOURCES (USES)				
Issuance of debt	-	-	482,389	482,389
Premium on issuance of debt	-	-	22,337	22,337
Transfers in	-	-	212,719	212,719
Total other financing sources (uses)	-	-	717,445	717,445
NET CHANGE IN FUND BALANCE	(3,425,000)	(5,188,354)	(4,110,436)	1,077,918
FUND BALANCE - BEGINNING	8,336,759	8,336,759	8,336,759	-
FUND BALANCE - ENDING	$ 4,911,759	$ 3,148,405	$ 4,226,323	$ 1,077,918

CITY OF DESOTO, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FIRE STATION BOND PROJECT FUND
BUDGET AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
REVENUES				
Investment earnings	$ -	$ -	$ 45,143	$ 45,143
Total revenues	-	-	45,143	45,143
OTHER FINANCING SOURCES (USES)				
Transfer out	-	-	(212,719)	(212,719)
Total other financing sources (uses)	-	-	(212,719)	(212,719)
NET CHANGE IN FUND BALANCE	-	-	(167,576)	(167,576)
FUND BALANCE - BEGINNING	288,645	288,645	288,645	-
FUND BALANCE - ENDING	$ 288,645	$ 288,645	$ 121,069	$ (167,576)

CITY OF DESOTO, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
PARKS CAPITAL IMPROVEMENT FUND
BUDGET AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
REVENUES				
Investment earnings	$ -	$ -	$ -	$ -
Total revenues	-	-	-	-
EXPENDITURES				
Parks and recreation	-	-	654	(654)
Total expenditures	-	-	654	(654)
NET CHANGE IN FUND BALANCE	-	-	(654)	(654)
FUND BALANCE - BEGINNING	681	681	681	-
FUND BALANCE - ENDING	$ 681	$ 681	$ 27	$ (654)

CITY OF DESOTO, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
PUBLIC FACILITIES CAPITAL IMPROVEMENT FUND
BUDGET AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
REVENUES				
Investment earnings	$ 100,000	$ 100,000	$ 189,967	$ 89,967
Total revenues	100,000	100,000	189,967	89,967
NET CHANGE IN FUND BALANCE	100,000	100,000	189,967	89,967
FUND BALANCE - BEGINNING	4,324,718	4,324,718	4,324,718	-
FUND BALANCE - ENDING	$ 4,424,718	$ 4,424,718	$ 4,514,685	$ 89,967

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DISCRETELY PRESENTED COMPONENT UNIT
FUND FINANCIAL STATEMENTS

CITY OF DESOTO, TEXAS

BALANCE SHEET - DISCRETELY PRESENTED COMPONENT UNIT

SEPTEMBER 30, 2025

	DeSoto Development Corporation
ASSETS	
Cash and investments	$ 14,569,895
Taxes receivable	551,334
Accounts and other	257,826
Notes receivable	4,089
Total assets	15,383,144
LIABILITIES	
Accounts payable	12,447
Accrued liabilities	21,845
Security deposits	20,804
Due to primary government	1,831,419
Total liabilities	1,886,515
FUND BALANCES	
Restricted for:	
Economic development	13,496,629
Total fund balances	13,496,629
Total liabilities, deferred inflows of resources, and fund balances	$ 15,383,144

CITY OF DESOTO, TEXAS

RECONCILIATION OF THE DISCRETELY PRESENTED COMPONENT UNIT
BALANCE SHEET TO THE STATEMENT OF NET POSITION

SEPTEMBER 30, 2025

	DeSoto Development Corporation
Total Fund Balance - Component Unit	$ 13,496,629
Amounts reported for the component unit in the statement of net position are different because:	
Capital assets are used in the component unit are not current financial resources and therefore are not reported in this fund financial statement. These consist of:	
Land	11,250
Building, net	4,650,000
Improvements other than buildings, net	1,433,716
Lease asset - building, net	107,001
Some liabilities do not represent current resources or are not due and payable in the current period and are not included in the fund financial statements. These balances consist of:	
Note payable	(4,650,000)
Leases	(126,598)
Compensated absences	(28,691)
Net Position of Component Unit	$ 14,893,307

CITY OF DESOTO, TEXAS

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
DISCRETELY PRESENTED COMPONENT UNIT

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	DeSoto Development Corporation
REVENUES	
Sales tax	$ 4,017,777
Investment earnings	586,500
Miscellaneous	15,898
Total revenues	4,620,175
EXPENDITURES	
Current:	
Economic development	3,633,158
Debt service:	
Principal	96,825
Interest and other	1,007,175
Capital outlay	4,650,000
Total expenditures	9,387,158
OTHER FINANCING SOURCES (USES)	
Proceeds from issuance of debt	4,650,000
Total other financing sources (uses)	4,650,000
NET CHANGE IN FUND BALANCE	(116,983)
FUND BALANCE - BEGINNING	13,613,612
FUND BALANCE - ENDING	$ 13,496,629

CITY OF DESOTO, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF DISCRETELY PRESENTED COMPONENT UNIT TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	DeSoto Development Corporation
Net Change in Fund Balance - Component Unit	$ (116,983)
Amounts reported for the component unit in the statement of activities are different because:	
The component unit reports bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. The component unit fund reports repayment of bond principal as an expenditures. In contrast, the Statement of Net Position shows this as a reduction of long-term liabilities.	
Repayment of principal on lease liabilities	96,825
Issuance of note payable	(4,650,000)
The component unit reports capital outlays as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.	
Capital outlay	4,650,000
Depreciation expense	(201,121)
Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:	
Compensated absences	(2,700)
Changes in Net Position of Component Unit	$ (223,979)

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STATISTICAL SECTION
(Unaudited)

This part of the City of DeSoto's annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents	Pages
Financial Trends These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	94 - 103
Revenue Capacity These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	104 - 109
Debt Capacity These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	110 - 115
Demographic and Economic Information This schedule offers deographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	116 - 119
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and activities it performs.	120 - 125

Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial reports for the relevant year.

CITY OF DESOTO, TEXAS

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

	Fiscal Year			
	2016	2017	2018	2019
Governmental activities				
Net investment in capital assets	$ 75,388,877	$ 75,324,298	$ 80,033,283	$ 99,237,824
Restricted	7,145,838	7,114,045	7,593,680	7,872,714
Unrestricted	24,359,405	28,502,199	27,706,164	15,348,727
Total governmental activities net position	$ 106,894,120	$ 110,940,542	$ 115,333,127	$ 122,459,265
Business-type activities				
Net investment in capital assets	$ 52,278,918	$ 48,359,679	$ 48,169,097	$ 48,890,037
Restricted	-	-	-	-
Unrestricted	14,882,299	18,440,994	19,377,215	18,250,922
Total business-type activities net position	$ 67,161,217	$ 66,800,673	$ 67,546,312	$ 67,140,959
Primary government				
Net investment in capital assets	$ 127,667,795	$ 123,683,977	$ 128,202,380	$ 148,127,861
Restricted	7,145,838	7,114,045	7,593,680	7,872,714
Unrestricted	39,241,704	46,943,193	47,083,379	33,599,649
Total primary government net position	$ 174,055,337	$ 177,741,215	$ 182,879,439	$ 189,600,224

Fiscal Year					
2020	2021	2022	2023	2024	2025
$ 103,973,012	$ 87,215,789	$ 86,212,053	$ 98,830,387	$ 104,858,032	$ 97,609,291
8,541,615	9,205,940	9,609,542	10,917,325	20,373,644	24,119,046
18,860,369	45,451,902	55,379,115	48,810,513	50,147,932	71,468,870
$ 131,374,996	$ 141,873,631	$ 151,200,710	$ 158,558,225	$ 175,379,608	$ 193,197,207
$ 50,092,001	$ 40,771,402	$ 39,631,250	$ 36,264,869	$ 54,496,790	$ 39,771,021
-	-	36,799	697,958	1,799,061	2,352,046
18,730,823	29,549,241	34,939,647	37,911,615	21,925,860	45,576,476
$ 68,822,824	$ 70,320,643	$ 74,607,696	$ 74,874,442	$ 78,221,711	$ 87,699,543
$ 154,065,013	$ 127,987,191	$ 125,843,303	$ 135,095,256	$ 159,354,822	$ 137,380,312
8,541,615	9,205,940	9,646,341	11,615,283	22,172,705	26,471,092
37,591,192	75,001,143	90,318,762	86,722,128	72,073,792	117,045,346
$ 200,197,820	$ 212,194,274	$ 225,808,406	$ 233,432,667	$ 253,601,319	$ 280,896,750

CITY OF DESOTO, TEXAS

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year			
	2016	2017	2018	2019
Expenses				
Governmental activities:				
General government	$ 6,116,384	$ 3,683,213	$ 5,049,294	$ 4,048,074
Public safety	19,523,630	20,858,244	19,970,864	21,051,755
Development services	9,599,031	9,785,883	10,626,406	9,707,942
Financial services	461,984	547,209	553,589	1,292,733
Municipal court	574,850	664,332	654,228	778,528
Information technology	767,304	1,032,524	1,183,645	1,677,972
Human resources	390,706	420,891	543,970	698,423
Parks and recreation services	3,994,107	4,402,453	4,374,426	4,717,832
Library services	1,017,369	1,055,252	1,046,804	1,348,581
Interest and other fees	2,352,141	3,138,147	1,797,897	1,805,323
Total governmental activities expenses	44,797,506	45,588,148	45,801,123	47,127,163
Business-type activities:				
Water and wastewater	17,589,431	19,002,233	19,439,621	22,201,294
Drainage	1,232,946	1,220,638	1,187,471	1,269,645
Sanitation	4,035,409	4,316,881	4,522,062	4,810,022
Golf	-	-	-	-
Total business-type activities expenses	22,857,786	24,539,752	25,149,154	28,280,961
Total primary government expenses	$ 67,655,292	$ 70,127,900	$ 70,950,277	$ 75,408,124
Program Revenues				
Governmental activities:				
Charges for services:				
General government	$ 466,958	$ 459,447	$ 454,807	$ 685,093
Public safety	4,193,774	4,053,992	3,942,371	4,304,001
Development services	1,268,385	1,407,041	1,395,670	1,090,269
Municipal Court	-	-	-	-
Parks and recreation services	721,131	698,496	740,252	885,912
Library services	39,301	36,963	36,095	34,615
Operating grants and contributions	1,084,583	1,148,587	1,009,861	1,260,717
Capital grants and contributions	250,000	250,000	150,000	-
Total governmental activities program revenues	8,024,132	8,054,526	7,729,056	8,260,607
Business-type activities:				
Charges for services:				
Water and wastewater	19,286,512	20,322,951	21,971,318	23,591,911
Drainage	1,530,199	1,545,804	1,552,846	1,563,225
Sanitation	4,111,474	4,259,301	4,345,350	4,397,161
Golf	-	-	-	-
Capital grants and contributions	-	-	-	-
Total business-type activities program revenues	24,928,185	26,128,056	27,869,514	29,552,297
Total primary government program revenues	$ 32,952,317	$ 34,182,582	$ 35,598,570	$ 37,812,904

Fiscal Year					
2020	2021	2022	2023	2024	2025
$ 4,525,262	$ 6,227,571	$ 8,218,063	$ 5,635,840	$ 7,765,152	$ 11,246,902
22,029,242	22,197,316	22,404,766	29,593,314	31,826,615	33,174,592
10,465,668	10,976,898	12,503,127	15,008,241	15,225,897	13,595,874
1,013,731	1,202,478	1,317,470	2,463,938	1,706,774	1,839,347
719,132	636,299	722,188	1,439,864	990,075	981,744
1,667,007	1,651,885	2,053,549	2,845,173	2,871,578	2,680,211
738,480	625,500	723,760	962,097	1,102,012	1,220,665
4,483,537	4,438,460	5,835,580	6,366,092	7,039,700	7,371,073
1,306,404	1,269,782	1,243,069	1,515,818	1,680,185	1,411,425
1,600,395	2,063,663	2,119,966	2,082,307	2,569,045	4,522,586
48,548,858	51,289,852	57,141,538	67,912,684	72,777,033	78,044,419
20,549,788	21,336,958	22,148,387	26,381,843	24,990,511	28,482,065
1,262,423	1,109,933	1,051,285	1,222,775	985,578	1,319,450
5,460,931	5,743,939	6,111,226	6,211,535	6,824,633	6,738,671
-	-	-	-	-	475,520
27,273,142	28,190,830	29,310,898	33,816,153	32,800,722	37,015,706
$ 75,822,000	$ 79,480,682	$ 86,452,436	$ 101,728,837	$ 105,577,755	$ 115,060,125
$ 529,347	$ 427,529	$ 628,708	$ 339,649	$ 4,746,255	$ 4,685,182
3,931,717	3,394,644	3,962,631	4,003,712	612,187	2,108,123
1,496,317	1,979,590	1,592,808	2,474,003	10,407	280,800
167,278	96,017	8,827	21,659	1,543,802	1,436,778
619,574	402,820	661,715	928,157	634,831	2,583,407
20,369	20,855	18,138	21,220	1,258	1,934
2,047,972	3,223,484	4,484,116	3,458,994	5,314,254	5,404,640
-	-	-	-	744,953	587,325
8,812,574	9,544,939	11,356,943	11,247,394	13,607,947	17,088,189
24,360,415	24,629,050	28,329,229	25,772,757	26,434,496	29,511,232
1,563,672	1,604,123	1,590,033	1,614,364	1,597,626	2,148,429
4,663,367	5,468,707	5,925,913	6,540,069	7,397,543	7,701,681
-	-	-	-	-	1,939,670
-	-	36,799	858,654	848,814	3,427,399
30,587,454	31,701,880	35,881,974	34,785,844	36,278,479	44,728,411
$ 39,400,028	$ 41,246,819	$ 47,238,917	$ 46,033,238	$ 49,886,426	$ 61,816,600

CITY OF DESOTO, TEXAS

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year			
	2016	2017	2018	2019
Program Revenues				
Net (expense) revenue:				
Governmental activities	$ (36,773,374)	$ (37,533,622)	$ (38,072,067)	$ (38,866,556)
Business-type activities	2,070,399	1,588,304	2,720,360	1,271,336
Total primary government net (expense) revenue	$ (34,702,975)	$ (35,945,318)	$ (35,351,707)	$ (37,595,220)
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes				
Property taxes	$ 24,570,117	$ 25,082,533	$ 27,172,987	$ 29,506,876
Special assessments	-	-	-	-
Sales taxes	8,838,202	7,628,513	8,293,142	8,474,803
Franchise and other taxes	3,067,237	3,017,636	3,230,330	3,063,055
Hotel occupancy	959,888	903,183	1,057,307	1,041,614
Grants not restricted to specific use	-	-	-	-
Gain on sale of capital assets	-	-	-	-
Unrestricted investment earnings	192,921	302,375	647,466	950,107
Miscellaneous	822,302	2,521,996	713,774	832,431
Transfers	2,267,237	2,123,808	2,123,808	2,123,808
Total governmental activities	40,717,904	41,580,044	43,238,814	45,992,694
Business-type activities:				
Interest and investment earnings	107,352	111,460	207,387	447,119
Miscellaneous	-	63,500	-	-
Transfers	(2,267,237)	(2,123,808)	(2,123,808)	(2,123,808)
Total business-type activities	(2,159,885)	(1,948,848)	(1,916,421)	(1,676,689)
Total primary government	38,558,019	39,631,196	41,322,393	44,316,005
Change in Net Position				
Governmental activities	3,944,530	4,046,422	5,166,747	7,126,138
Business-type activities	(89,486)	(360,544)	803,939	(405,353)
Total primary government	$ 3,855,044	$ 3,685,878	$ 5,970,686	$ 6,720,785

Source: City financial statements

Fiscal Year					
2020	2021	2022	2023	2024	2025
$ (39,736,284)	$ (41,744,913)	$ (45,784,595)	$ (56,665,290)	$ (59,169,086)	$ (60,956,230)
3,314,312	3,511,050	6,571,076	969,691	3,477,757	7,712,705
$ (36,421,972)	$ (38,233,863)	$ (39,213,519)	$ (55,695,599)	$ (55,691,329)	$ (53,243,525)
$ 31,596,309	$ 34,406,476	$ 37,124,923	$ 40,315,883	$ 48,642,710	$ 51,451,919
-	-	516,740	495,174	453,310	395,262
9,614,011	10,523,359	9,741,103	11,210,780	11,665,423	11,723,283
2,762,423	2,826,229	3,099,314	2,978,370	2,827,081	2,961,458
944,971	1,065,522	1,387,757	1,415,525	1,346,468	1,424,966
-	-	-	-	2,390,599	607,775
-	-	-	-	52,290	25,678
1,023,121	611,253	489,056	4,428,903	5,466,691	6,958,004
586,382	685,901	269,473	648,362	441,089	462,004
2,124,808	2,124,808	2,483,308	2,529,808	2,704,808	2,763,480
48,652,025	52,243,548	55,111,674	64,022,805	75,990,469	78,773,829
492,361	111,577	199,285	1,807,968	1,844,949	2,660,347
-	-	-	18,895	729,371	1,868,260
(2,124,808)	(2,124,808)	(2,483,308)	(2,529,808)	(2,704,808)	(2,763,480)
(1,632,447)	(2,013,231)	(2,284,023)	(702,945)	(130,488)	1,765,127
47,019,578	50,230,317	52,827,651	63,319,860	75,859,981	80,538,956
8,915,741	10,498,635	9,327,079	7,357,515	16,821,383	17,817,599
1,681,865	1,497,819	4,287,053	266,746	3,347,269	9,477,832
$ 10,597,606	$ 11,996,454	$ 13,614,132	$ 7,624,261	$ 20,168,652	$ 27,295,431

CITY OF DESOTO, TEXAS

FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

	2016	2017	2018	2019
General fund:				
Nonspendable:				
Inventories	$ 32,561	$ 39,087	$ 48,487	$ 55,378
Prepaid items	-	1,000	-	-
Assigned:				
Future healthcare costs	-	-	440,000	440,000
Economic development	-	-	-	-
Subsequent year's budget	-	-	-	-
Unassigned	20,923,754	23,655,407	24,369,385	27,904,582
Total General Fund	20,956,315	23,695,494	24,857,872	28,399,960
All Other Governmental Funds:				
Nonspendable:				
Note Receivable	438	-	-	-
Prepaid items	-	-	-	-
Restricted:				
Debt Service	3,194,715	3,641,392	4,031,605	4,591,081
Street Improvements	4,161,565	7,540,075	7,042,971	7,805,773
Public safety	1,038,550	1,040,401	1,194,604	771,743
Economic Development	1,628,378	1,426,591	1,526,246	2,022,673
Capital projects	-	-	-	4,513,258
Committed:				
Public Health	18,435	20,076	20,292	2,617
Development activities	226,523	212,297	193,404	169,762
Assigned:				
Street Improvements	-	-	-	1,987,673
Capital projects	5,867,799	8,799,902	-	6,031,101
Total Other Governmental Funds	16,136,403	22,680,734	14,009,122	27,895,681
Total Fund Balances of Governmental Funds	$ 37,092,718	$ 46,376,228	$ 38,866,994	$ 56,295,641

Source: Balance Sheets - Governmental Funds in City's ACFRs.

2020	2021	2022	2023	2024	2025
$ 54,518	$ 124,364	$ 143,832	$ 30,177	$ 57,807	$ 132,154
-	-	-	-	-	-
440,000	440,000	440,000	440,000	440,000	440,000
-	-	1,236,365	-	-	-
1,170,690	873,878	440,401	-	-	-
31,574,216	39,072,693	38,025,935	40,896,418	48,538,086	54,129,354
33,239,424	40,510,935	40,286,533	41,366,595	49,035,893	54,701,508
-	-	-	-	-	-
-	3,003	3,003	3,003	3,003	3,003
4,737,443	5,059,896	4,290,145	4,382,942	5,211,784	5,396,795
4,860,992	11,006,470	19,015,199	19,275,350	34,769,180	50,357,074
905,589	1,063,281	1,358,703	1,040,778	3,017,439	3,616,546
2,415,719	3,108,250	4,138,446	5,558,466	6,302,011	8,422,542
2,336,363	10,165,282	8,404,376	5,921,267	34,991,146	21,743,134
20,745	20,752	20,849	88,344	91,919	95,227
240,591	153,169	130,559	193,429	181,122	162,905
3,010,465	4,244,387	6,841,815	2,404,162	4,324,718	4,514,685
8,204,077	7,452,982	12,696,239	11,667,768	-	-
26,731,984	42,277,472	56,899,334	50,535,509	88,892,322	94,311,911
$ 59,971,408	$ 82,788,407	$ 97,185,867	$ 91,902,104	$ 137,928,215	$ 149,013,419

CITY OF DESOTO, TEXAS

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

	2016	2017	2018	2019
Revenues				
Taxes				
Property taxes	$ 23,525,948	$ 25,139,231	$ 27,117,831	$ 29,846,532
Sales taxes	7,434,323	7,671,052	8,334,059	8,474,803
Franchise fees and others	3,023,812	2,975,097	3,189,413	3,063,055
Hotel occupancy	959,888	903,183	1,057,307	985,335
Property assessments	-	-	-	-
Fines and forfeitures	1,425,402	1,381,768	1,516,509	1,299,390
Licenses and permits	1,280,155	1,407,041	1,395,670	1,090,269
Intergovernmental	2,966,622	3,592,705	2,598,124	3,007,592
Charges for services	2,330,713	2,482,584	2,116,107	2,478,087
Investment earnings	192,921	302,375	647,466	950,107
Recreation services	704,626	683,748	723,686	675,259
Impact fees	-	-	-	-
Miscellaneous	407,518	554,115	577,728	460,056
Total Revenues	44,251,928	47,092,899	49,273,900	52,330,485
Expenditures				
Current:				
General government	1,495,396	1,462,675	1,609,394	3,561,331
Public safety	17,471,592	18,371,592	18,281,537	18,972,443
Development services	4,768,473	4,984,007	4,807,031	4,768,678
Financial services	394,729	455,303	508,146	1,219,243
Municipal court	553,850	630,332	640,028	716,724
Information technology	621,493	878,203	1,053,838	1,517,262
Human resources	373,022	392,306	533,957	667,485
Parks and recreation	3,205,034	3,463,275	3,490,816	3,701,599
Library services	1,086,062	1,112,442	1,128,874	1,269,195
Non-departmental	2,473,767	2,533,268	3,887,533	-
Debt service:				
Principal	5,117,121	12,803,125	5,644,653	5,465,847
Interest and fiscal charges	2,748,066	2,526,036	2,337,157	2,231,028
Bond issuance costs	-	-	-	-
Capital outlay	4,910,606	5,982,739	7,370,715	9,663,995
Total Expenditures	45,219,211	55,595,303	51,293,679	53,754,830
Excess of revenues over (under) expenditures	(967,283)	(8,502,404)	-	(1,424,345)
Other Financing Sources (Uses)				
Issuance long-term debt	10,023,977	21,583,025	-	8,395,000
Premium from bond issuance	-	-	-	618,138
Leases issued	-	-	-	-
Subscriptions issued	-	-	-	-
Proceeds from sale of capital asset	-	-	-	-
Other sources	62,847	1,054,486	46,300	74,483
Payment to refund escrow agent	(6,742,097)	(6,975,233)	-	-
Transfer in	4,503,599	5,131,533	4,842,955	6,339,150
Transfer out	(2,236,362)	(3,007,725)	(2,719,147)	(4,215,342)
Net other financing sources (uses)	5,611,964	17,786,086	2,170,108	11,211,429
Net change in fund balances	$ 4,644,681	$ 9,283,682	$ 150,329	$ 9,787,084
Debt service as a percentage of noncapital expenditures	18.5%	30.9%	18.2%	17.5%

Source: Statement of Revenues, Expenditures, and Changes in Fund Balance for Governmental Funds.

CITY OF DESOTO, TEXAS

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

2020	2021	2022	2023	2024	2025
$ 31,827,759	$ 34,455,440	$ 36,819,678	$ 40,767,063	$ 48,084,842	$ 51,127,584
9,614,011	10,523,359	9,741,103	11,210,780	11,665,423	11,723,283
2,762,423	2,826,229	3,099,314	2,978,370	2,827,081	2,961,458
894,320	1,065,522	1,387,757	1,522,455	1,346,468	1,424,966
-	500,598	516,740	495,174	453,310	395,262
1,097,047	986,587	932,144	910,600	1,469,065	1,542,740
1,496,317	1,443,363	1,540,833	1,245,719	1,334,268	1,149,771
3,543,522	4,778,484	5,754,116	4,704,240	7,704,853	8,012,415
2,386,381	1,790,455	2,572,937	2,492,300	3,378,845	3,561,970
1,023,121	611,253	489,056	4,428,903	5,466,691	6,958,004
308,308	393,522	653,383	914,534	1,071,250	1,014,565
-	-	62,834	1,231,102	744,953	587,325
586,382	304,351	269,473	648,362	296,524	151,414
55,539,591	59,679,163	63,839,368	73,549,602	85,843,573	90,610,757
4,075,592	5,742,889	8,093,360	5,203,684	6,582,315	6,558,725
20,168,011	21,607,172	22,523,923	28,540,166	30,619,394	31,908,625
5,322,335	5,930,499	6,145,910	9,138,242	9,129,480	7,686,354
968,037	1,193,453	1,361,452	1,623,891	1,680,037	1,813,430
692,443	658,110	765,237	895,349	990,075	981,744
1,511,155	1,553,672	1,949,690	2,267,259	2,304,767	2,130,776
715,869	641,503	758,270	903,224	1,102,012	1,220,665
3,449,045	3,538,819	4,711,683	5,215,789	5,882,331	6,249,185
1,246,043	1,257,768	1,271,686	1,437,844	1,646,093	1,378,378
-	-	-	-	-	-
5,366,709	5,596,051	5,815,564	7,280,334	9,897,142	11,588,970
2,209,350	2,650,197	2,641,656	2,856,893	3,240,045	4,659,294
-	-	-	-	-	335,140
8,367,123	8,120,293	16,831,910	16,182,716	13,385,597	44,047,618
54,091,712	58,490,426	72,870,341	81,545,391	86,459,288	120,558,904
1,447,879	1,188,737	(9,030,973)	(7,995,789)	(615,715)	(29,948,147)
-	18,065,000	19,118,947	-	41,116,000	34,900,000
-	3,385,777	1,708,413	-	2,624,163	1,590,639
-	-	-	-	-	574,538
-	-	-	-	-	832,204
-	-	-	-	52,290	61,900
85,080	254,721	117,765	182,218	144,565	310,590
-	(2,202,044)	-	-	-	-
6,314,431	7,142,236	9,857,892	5,975,583	3,038,072	4,189,152
(4,189,623)	(5,017,428)	(7,374,584)	(3,445,775)	(333,264)	(1,425,672)
2,209,888	21,628,262	23,428,433	2,712,026	46,641,826	41,033,351
$ 3,657,767	$ 22,816,999	$ 14,397,460	$ (5,283,763)	$ 46,026,111	$ 11,085,204
16.6%	16.4%	15.1%	15.6%	18.0%	21.2%

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ASSESSED VALUE AND ESTIMATED ACTUAL VALUE
OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

	Real Property			
Fiscal Year	Real Property Assessed Value	Personal Property Assessed Value	Total Assessed Value	Total Direct Tax rate
2016	$ 2,682,537,966	$ 447,907,641	$ 3,130,445,607	0.7499
2017	2,998,752,687	535,052,182	3,533,804,869	0.7449
2018	3,315,801,528	568,601,030	3,884,402,558	0.7399
2019	3,653,591,267	403,677,718	4,057,268,985	0.7214
2020	3,946,379,867	751,698,250	4,698,078,117	0.7016
2021	4,025,313,400	783,797,074	4,809,110,474	0.7016
2022	4,848,596,325	589,592,922	5,438,189,247	0.7016
2023	5,295,347,641	799,983,280	6,095,330,921	0.6916
2024	6,038,296,022	964,160,224	7,002,456,246	0.6851
2025	6,732,850,028	995,756,926	7,728,606,954	0.6849

The estimated actual taxable value equals the total taxable assessed value.
All properties are assessed at 100% of actual taxable value.

Source: Dallas County Tax Office

CITY OF DESOTO, TEXAS

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
(PER $100 ASSESSED VALUE)
(UNAUDITED)

LAST TEN FISCAL YEARS

Fiscal Year	General Fund	Debt Service Fund	Total	Dallas County & School Equalization	Dallas Parkland Hospital	Dallas County Comm. College
2016	0.52490	0.22500	0.7499	0.25310	0.27600	0.12365
2017	0.53490	0.21000	0.7449	0.25240	0.27900	0.12293
2018	0.54000	0.19990	0.7399	0.25310	0.27900	0.12424
2019	0.55000	0.17139	0.7214	0.25310	0.26950	0.12400
2020	0.55016	0.15139	0.7016	0.24974	0.26661	0.12400
2021	0.55016	0.15139	0.7016	0.23795	0.25500	0.12351
2022	0.55016	0.15139	0.7016	0.22795	0.25500	0.12551
2023	0.54425	0.14731	0.6916	0.22795	0.23580	0.11590
2024	0.50349	0.18161	0.6851	0.21572	0.21950	0.11003
2025	0.50393	0.18100	0.6849	0.21550	0.21200	0.10560

Note: Tax rate is at 100% of market value.

Total City, County, Hospital and College	DeSoto I.S.D.	Total City, County, Hospital, College and DeSoto I.S.D.	Dallas I.S.D.	Total City, County, Hospital, College and Dallas I.S.D.	Duncanville I.S.D.	Total City, County, Hospital College and Duncanville I.S.D.
1.40265	1.46000	2.86265	1.28209	2.68474	1.52950	2.93215
1.39923	1.46000	2.85923	1.28209	2.68132	1.52150	2.92073
1.39624	1.49000	2.88624	1.28209	2.67832	1.52150	2.91774
1.36799	1.52800	2.89599	1.31000	2.67799	1.41800	2.78599
1.34190	1.52909	2.87099	1.29674	2.63864	1.36760	2.70950
1.31801	1.38860	2.70661	1.24824	2.56625	1.31590	2.63391
1.31001	1.38860	2.69861	1.24824	2.57223	1.31590	2.63990
1.27121	1.25820	2.52941	1.18494	2.45613	1.25290	2.52410
1.23035	1.07280	2.30315	1.01384	2.24417	1.08280	2.31314
1.21803	1.06552	2.28355	0.99724	2.21526	1.10570	2.32373

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CITY OF DESOTO, TEXAS **TABLE 7**

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS

Fiscal Year Ended Sept 30,	Taxes Levied for the Fiscal Year*	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	% of Levy		Amount	% of Levy
2016	$ 24,105,582	$ 23,827,722	98.85%	$ 145,564	$ 23,973,286	99.45%
2017	26,041,869	25,775,037	98.98%	81,298	25,856,335	99.29%
2018	28,054,990	27,759,374	98.95%	149,772	27,909,146	99.48%
2019	32,973,522	30,316,827	91.94%	144,383	30,461,210	92.38%
2020	33,759,923	32,945,456	97.59%	145,302	33,090,758	98.02%
2021	36,290,396	35,772,193	98.57%	139,299	35,911,492	98.96%
2022	38,180,773	38,097,252	99.78%	98,934	38,196,186	100.04%
2023	42,183,079	43,324,198	102.71%	-	43,324,198	102.71%
2024	48,001,070	48,129,252	100.27%	(166,035)	47,963,217	99.92%
2025	52,973,331	52,915,314	99.89%	-	52,915,314	99.89%

Source: City of DeSoto Joint Tax Office and Dallas County Tax Office
* Includes Year to Date Adjustments to the Levy by the Tax Office

CITY OF DESOTO, TEXAS

PRINCIPAL PROPERTY TAXPAYERS

CURRENT AND NINE YEARS AGO

	2025				
Taxpayer	Taxable Assessed Valuation (1)	Type of Business	Rank	Percentage of Total Taxable Assessed Valuation	Percentage of Top Ten Taxpayers to Assessed Valuation
Solar Turbines	$ 338,140,239	Manufacturing	1	4.38%	29.51%
Kohler Co	243,237,984	Manufacturing	2	3.15%	21.23%
Harvest A Southfield 35 LLC	97,027,520	Manufacturing	3	1.26%	8.47%
Kohls Department Store	85,633,200	Retail	4	1.11%	7.47%
HLIT II CTC 3 LP	85,355,280	Manufacturing	5	1.10%	7.45%
Centre Park Industrial LP	71,020,200	Manufacturing	6	0.92%	6.20%
WRH Properties Inc	65,469,220	Apartments	7	0.85%	5.71%
Lowes Home Centers LLC	64,219,450	Retail	8	0.83%	5.60%
Lit Industries LTD PS	48,194,576	Manufacturing	9	0.62%	4.21%
TLP 2100 JO LLC	47,463,070	Real Estate	10	0.60%	4.13%
US Real Estate LP	-	Real Estate		-	-
Kohls Real Estate Holdings	-	Real Estate		-	-
DeSoto Apartments Ltd	-	Apartments		-	-
Walmart Stores Inc	-	Retail		-	-
Oncor electric Delivery	-	Electric		-	-
Cintas Corporation 2	-	Retail/Uniforms		-	-
Atlas Huntington Ridge LLC	-	Apartments		-	-
MaClay Carlin DeSoto LTD	-	Shopping Center		-	-
Total	$ 1,145,760,739			14.82%	100.00%

Source: (1) Dallas County Appraisal District

2016			
Taxable Assessed Valuation (1)	Rank	Percentage of Total Taxable Assessed Valuation	Percentage of Top Ten Taxpayers to Assessed Valuation
191,844,900	1	6.36%	44.46%
		-	-
		-	-
		-	-
		-	-
		-	-
32,687,430	4	1.08%	7.57%
		-	-
		-	-
		-	-
22,225,360	8	0.74%	0.00%
42,816,600	2	1.42%	9.92%
25,830,000	5	0.86%	5.99%
33,832,420	3	1.12%	7.84%
24,692,530	6	0.82%	5.72%
23,670,500	7	0.78%	5.49%
18,018,000	9	0.60%	4.18%
15,916,680	10	0.53%	3.69%
$ 431,534,420		14.31%	94.86%

CITY OF DESOTO, TEXAS

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

	Governmental Activities					
Fiscal Year	**General Obligation Bonds**	**Certificates of Obligation Bonds**	**Premiums**	**Financed Purchases**	**Lease Liability**	**Subscription Liability**
2016	$ 45,500,391	$ 13,730,000	$ 3,887,036	$ 635,708	$ -	$ -
2017	49,833,256	8,795,000	5,844,173	1,539,718	-	-
2018	45,466,456	7,735,000	5,361,245	1,321,865	-	-
2019	44,700,000	11,655,000	5,496,463	1,097,474	-	-
2020	39,850,000	11,310,000	4,981,002	925,765	-	-
2021	35,630,000	25,840,000	7,373,353	749,678	-	-
2022	30,255,000	44,698,947	569,114	569,833	-	-
2023	25,195,000	43,058,947	7,562,141	383,933	-	896,739
2024	20,245,000	79,814,947	9,256,111	194,030	-	499,500
2025	15,300,000	108,850,000	9,984,510	-	498,713	822,536

Source: Personal income and population data can be found in demographic and economic statistics table.

Business-Type Activities						
General Obligation Bonds	Certificates of Obligation	Premiums	Lease Liability	Total Primary Government	Percentage of Personal Income	Per Capita
$ 2,814,610	$ 12,565,000	$ 454,477	$ -	$ 79,587,222	4.98%	1,513
4,811,744	10,305,000	783,267	-	64,472,429	5.06%	1,542
4,508,544	9,580,000	719,749	-	58,562,701	4.58%	1,394
4,025,000	13,910,000	1,046,116	-	61,851,463	4.90%	1,457
3,520,000	13,190,000	962,078	-	56,141,002	4.33%	1,263
9,300,000	13,145,000	2,883,289	-	68,843,353	5.80%	1,691
8,355,000	19,931,053	3,343,735	-	75,523,061	5.64%	1,821
7,420,000	18,981,053	3,070,815	-	75,816,088	5.73%	1,851
6,355,000	27,650,053	3,448,105	-	109,316,058	8.00%	2,582
5,345,000	38,705,000	3,825,118	109,637	134,134,510	7.26%	2,346

CITY OF DESOTO, TEXAS **TABLE 10**

RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA

LAST TEN FISCAL YEARS

Fiscal Year	Population	Assessed Value	Total Bonded Debt (1)	Less Debt Services Monies Available	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Per Capita
2016	52,586	$ 3,130,445,607	$ 74,610,000	$ 3,194,715	$ 71,415,285	2.28%	1,358
2017	53,128	3,533,804,869	80,372,440	3,641,392	76,731,048	2.17%	1,444
2018	53,568	3,884,402,558	73,370,994	4,031,605	69,339,389	1.79%	1,294
2019	56,224	4,057,268,985	82,688,248	4,581,544	78,106,704	1.93%	1,389
2020	56,145	4,698,078,117	73,881,573	4,730,594	69,150,979	1.47%	1,232
2021	56,145	4,809,110,474	83,915,000	5,116,923	78,798,077	1.64%	1,403
2022	57,565	5,438,189,247	103,240,000	4,575,525	98,664,475	1.81%	1,668
2023	57,583	6,095,330,921	91,579,021	5,733,066	85,845,955	1.41%	1,491
2024	57,102	7,002,456,246	134,065,000	5,211,784	128,853,216	1.84%	2,257
2025	57,182	7,728,606,954	168,200,000	5,455,598	162,744,402	2.11%	2,846

(1) Includes all long-term certificates of obligation and general obligation debt.

CITY OF DESOTO, TEXAS **TABLE 11**

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

SEPTEMBER 30, 2025

Taxing Jurisdiction	Total Tax Supported Debt (1)	Overlapping Percent Applicable	Overlapping Amount
Overlapping Debt			
DeSoto Independent School District	$ 286,628,121	81.10%	$ 232,455,406
Dallas County	179,530,000	1.70%	3,052,010
Dallas Independent School District	4,613,765,000	0.86%	39,678,379
Dallas County Community College District	247,115,000	1.70%	4,200,955
Dallas County Hospital District	511,285,000	1.70%	8,691,845
Duncanville Independent School District	322,745,000	7.51%	24,238,150
Total Overlapping Debt			312,316,745
City Direct Debt (Governmental Activities)	124,150,000	100.00%	124,150,000
Total Direct and Overlapping Debt			$ 134,957,046
Population			57,182
Ratio of direct and overlapping bonded debt to taxable assessed value			1.75%
Per Capita Debt-Direct and Overlapping Debt			$ 2,360

Source - First Southwest Company

(1) Includes general obligation bonds and certificates of obligation.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City.This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Texas City, Texas. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for paying the debt of each overlapping government.

CITY OF DESOTO, TEXAS

COMPUTATION OF LEGAL DEBT MARGIN
(UNAUDITED)

LAST TEN FISCAL YEARS

	2025	2024	2023	2022
Total Assessed Value	$ 7,728,606,954	$ 7,002,456,246	$ 6,095,330,921	$ 6,095,330,921
Debt limit - (10%) of total assessed value	772,860,695	700,245,625	609,533,092	609,533,092
Amount of debt applicable to debt limit:				
Total bonded debt (including special assessment bonds)	168,200,000	134,065,000	91,579,021	98,687,818
Less: assets in debt service funds available for payment of principal	5,396,795	5,211,784	5,733,066	4,575,525
Total amount of debt applicable to debt limit	162,803,205	128,853,216	85,845,955	94,112,293
Legal Debt Margin	$ 610,057,490	$ 571,392,409	$ 523,687,137	$ 515,420,799
Ratio of outstanding net debt to the debt limit	21%	18%	14%	15%

Note: City's Debt Management Policy, Version 4, Section 9.0, adopted by the City Council April 7, 2015.
"The total principal amount of general obligation bonds together with the principal amount of all other outstanding tax indebtedness of the City shall not exceed ten (10) percent of the total assessed valuation of the City's tax rolls."

TABLE 12

2021	2020	2019	2018	2017	2016
$ 4,809,110,474	$ 4,698,078,117	$ 4,057,268,985	$ 3,884,402,558	$ 3,533,804,869	$ 3,130,445,607
480,911,047	469,807,812	405,726,899	388,440,256	353,380,487	313,044,561
103,809,833	73,881,573	82,688,248	73,370,994	80,372,440	74,610,000
5,116,923	4,730,594	4,581,544	4,031,605	3,641,392	3,194,715
98,692,910	69,150,979	78,106,704	69,339,389	76,731,048	71,415,285
$ 382,218,137	$ 400,656,833	$ 327,620,195	$ 319,100,867	$ 276,649,439	$ 241,629,276
21%	15%	19%	18%	22%	23%

CITY OF DESOTO, TEXAS

DEMOGRAPHIC AND ECONOMIC STATISTICS
(UNAUDITED)

LAST TEN FISCAL YEARS

Fiscal Year	Population	Estimated Median Family Household Income (1)	Personal Income* (2)	Per Capita Personal Income*	Median Age
2016	52,586	60,945	1,599,616	30	36.1
2017	53,128	66,860	1,619,182	30	37
2018	53,568	64,575	1,632,592	30	36.1
2019	56,224	66,986	1,673,676	30	39.6
2020	59,159	71,496	1,725,668	29	37.09
2021	56,145	71,578	1,637,750	32	38.9
2022	59,159	71,496	1,910,481	32	37.09
2023	57,583	71,124	1,859,585	32	37.09
2024	57,102	81,736	1,844,052	32	41.10
2025	57,182	88,315	1,846,636	32	41.10

(1) DeSoto Economi Development Corporation (Claritas)
(2) US Census Bureau
(3) DeSoto Independent School District
(4) Bureau of Labor Statistics
* Amounts presented in thousands of dollars

Education level in Years of Schooling	School Enrollment (3)	Unemployment Rate (4)
High School + 2 Years	9,872	3.5%
High School + 2 Years	9,742	4.7%
High School + 2 Years	8,971	5.2%
High School + 2 Years	8,716	4.3%
High School + 2 Years	8,500	4.4%
High School + 2 Years	8,700	4.4%
High School + 2 Years	8,500	8.4%
High School + 2 Years	7,344	4.6%
High School + 2 Years	7,339	5.2%
High School + 2 Years	7,350	4.5%

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PRINCIPAL EMPLOYERS
(UNAUDITED)

CURRENT YEAR AND NINE YEARS AGO

	2025			2016		
Employer	**Employees**	**Rank**	**Percentage of Total City Employment**	**Employees**	**Rank**	**Percentage of Total City Employment**
DeSoto ISD	1,104	1	8.08%	1,104	1	9.20%
Kohl's e-Commerce	800	2	5.85%	500	2	4.17%
Allied Stone	600	3	4.39%	-	-	0.00%
Wal Mart Distribution	530	4	3.88%	250	9	2.08%
City of DeSoto	468	5	3.43%	400	4	3.33%
Solar Turbines	450	6	3.29%	400	3	3.33%
Fash Glass & Mirror	335	7	2.45%	-	-	0.00%
Kohler	305	8	2.23%	-	-	0.00%
Glass Floss Industries	300	9	2.20%	300	5	2.50%
NFI Industries	300	10	2.20%	250	7	2.08%
Select Speciality Hospitals	210	11	1.54%	-	-	0.00%
SEW Eurodrive Inc.	125	12	0.91%	100	17	0.00%
Williamsburg Village	-	-	0.00%	300	6	2.50%
Marten Transport	-	-	0.00%	250	8	2.08%
Hickory Trail Hospital	-	-	0.00%	250	10	2.08%
Vibra Hospital	-	-	0.00%	145	15	1.21%
DW Distribution	-	-	0.00%	150	12	1.25%
Cintas	-	-	0.00%	150	13	1.25%
Park Manor	-	-	0.00%	125	16	1.04%
The Cedars	-	-	0.00%	190	11	1.58%
Trybus Corporation	-	-	0.00%	-	14	0.00%
Total	5,527		40.45%	4,864		39.68%

CITY OF DESOTO, TEXAS

FULL-TIME EQUIVALENT CITY GOVERNMENT
EMPLOYEES BY FUNCTION/PROGRAM
(UNAUDITED)

LAST TEN FISCAL YEARS

Full-time Equivalent Employees as of Sept 30:

	2025	2024	2023	2022
Function/Program				
Governmental Activities:				
General Government	15	16	14	14
Public Safety	212	210	183	201
Development Services	37	36	24	28
Parks and Recreation Services	107	100	22	28
Finance	11	10	10	10
Municipal Court*	9	10	8	8
Library	25	25	15	15
Human Resources	7	7	7	6
Information Technology	10	9	9	9
Water & Sewer	34	35	35	34
Drainage	5	5	5	4
Sanitation	6	8	8	7
Total	478	471	340	364
Population	57,182	57,102	57,583	57,565
Staff per 1,000 population	8.36	8.25	5.90	6.32

* Formerly categorized with Financial Services.

Source: City of DeSoto Human Resource Department

TABLE 15

2021	2020	2019	2018	2017	2016
10	13	13	11	11	10
190	193	154	189	205	207
21	23	31	30	32	29
19	19	21	28	26	35
8	8	10	10	9	9
8	7	7	6	7	7
9	10	11	9	8	8
5	5	5	5	5	4
7	7	7	6	5	3
34	34	31	22	26	30
4	4	5	5	5	5
5	5	6	5	5	5
320	328	301	326	344	352
56,145	59,159	56,224	53,568	53,128	52,586
5.70	5.54	5.32	6.09	6.47	6.69

CITY OF DESOTO, TEXAS

OPERATING INDICATORS BY FUNCTION/PROGRAM
(UNAUDITED)

LAST TEN FISCAL YEARS

Function/Program	2025	2024	2023	2022
General government				
Number of public information requests processed	810	602	616	587
Public safety				
Number of youth outreach programs held	3	3	3	1
Number of senior citizen symposiums held	1	1	1	1
Number of citizen police academics per year	1	1	1	1
Fire code inspections completed	1,122	1,122	1,132	1,020
Development services				
Traffic signal inspections	36	36	-	36
Parks and leisure services				
Total fitness facility memberships	3,899	3,899	1,207	14,631
Total swimming pool attendance	9,052	18,252	13,385	8,014
Library				
Total children's' story time programs	285	285	326	105
Human resources				
Number of salary surveys completed	50	57	45	50
Finance				
Municipal court cases filed	5,263	6,114	7,243	6,388
Information technology				
Number of City computers replaced annually	63	63	58	114
Water and sewer				
Number of touch read meters changed out	488	504	399	423
Number of meters read monthly	18,500	18,500	18,548	17,862
Drainage				
Number of easements acquired for project construction	-	-	-	-
Sanitation				
Number of existing intersection landscapes renovated annually	24	24	24	24

Source: Information provided by the head of each department

2021	2020	2019	2018	2017	2016
716	671	618	403	469	503
-	10	10	5	5	5
1	1	1	1	1	1
1	4	4	1	1	1
1,020	1,053	1,857	1,430	1,477	1,433
36	36	76	36	36	68
5,338	4,360	4,147	3,215	2,128	4,017
-	-	17,591	16,257	18,624	16,699
-	88	116	134	55	69
51	40	24	47	51	40
4,879	6,691	7,747	8,088	9,425	10,101
91	95	74	67	94	61
488	1,497	1,497	1,604	1,692	1,740
17,800	17,561	17,561	17,740	17,570	17,387
-	-	-	-	6	7
24	23	24	18	6	18

CITY OF DESOTO, TEXAS

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
(UNAUDITED)

LAST TEN FISCAL YEARS

Function/Program	2025	2024	2023	2022
Public safety				
Police stations	1	1	1	1
Fire stations	3	3	3	3
Development services				
Lane Miles of streets	579	579	579	521
Miles of alleys	110	110	110	105
Traffic signals	28	28	28	28
Parks and recreation				
Number of parks	19	19	19	19
Civic centers	1	1	1	1
Swimming pools	1	1	1	1
Theater playhouses	1	1	1	1
Library				
Number of libraries	1	1	1	1
Water and sewer				
Water pumping capacity	39.5mg/day	39.5mg/day	39.5mg/day	39.5mg/day
Elevated water storage	5mg.	5mg.	5mg.	5mg.
Ground storage	13mg.	13mg.	13mg.	13mg.

2021	2020	2019	2018	2017	2016
1	1	1	1	1	1
3	3	3	3	3	3
495	495	495	495	495	495
90	90	90	90	90	90
17	17	17	17	17	17
19	19	19	19	19	19
1	1	1	1	1	1
1	1	1	1	1	1
1	1	1	1	1	1
1	1	1	1	1	1
39.5mg/day	39.5mg/day	39.5mg/day	39.5mg/day	39.5mg/day	39.5mg/day
5mg.	5mg.	5mg.	5mg.	5mg.	5mg.
13mg.	13mg.	13mg.	13mg.	13mg.	13mg.

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